EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Thursday May 16 1991

D 8523A

NEW CARS
Going downmarket in Brazil
Page 14

World News

Yugoslavia in crisis after bid to elect Mesic fails

Yugoslavia was plunged into a constitutional crisis when the collective presidency's failure to elect Mr Stipe Mesic, a Croat, as president left the country without an effective head of state. Page 18

Soviet market move

The Soviet government said it was close to agreement with the country's 15 republics to stop the plunge in production by the end of the year and institute a rapid move to the market. Page 18

Japan mourns Abe

The death of Shintaro Abe, 67, one of the leaders of the ruling Liberal Democratic Party, shook Japanese political circles. He had been seen as a future premier. Page 18

Ulster compromise

A fragile compromise agreed by Ulster Unionist leaders at a meeting with British prime minister John Major averted, at least temporarily, the collapse of talks on Northern Ireland's future. Page 10

Ruling on Jews

Germany said 269 Soviet Jewish emigrants who fled to Berlin from Israel during the Gulf war must be deported.

More fast trains

France is to adopt a FFr210bn ($36.14bn) plan which will more than double the size of its successful Trains à Grande Vitesse (TGV) network over two decades. Page 2

Peru drugs accord

The US and Peru signed a long-awaited agreement on drug trafficking which gives coca farmers a right to be heard.

Egyptian chosen

Arab ministers elected Egyptian Foreign Minister Esmat Abdel-Maguid as secretary general of the Arab League.

Rome protest

Police dispersed about 300 African immigrants near Rome's town hall and detained about 100 for identity checks. They were protesting at an order to leave a hotel.

Pinochet in Lisbon

Chile's former military ruler General Augusto Pinochet arrived in Portugal on the latest leg of a foreign tour shrouded in secrecy. Lisbon rebuilds, Page 2

Thatcher visit

Former British prime minister Margaret Thatcher arrived in Cape Town to begin a visit which the African National Congress women's league has threatened to disrupt.

Swiss bank fire

Staff were evacuated from the Bank for International Settlements in Basle after a short circuit caused a fire.

Maradona hearing

Disgraced Argentine soccer star Diego Maradona, 30, was ordered to appear in a Naples court on May 31 to face charges of using and trafficking in drugs.

Crowd stops court

Crowds forced their way into a courthouse in northern Cameroon, carrying off up to 10 people on trial for vandalism and sending magistrates scurrying for safety.

Golden handshake

Japanese sporting giant Chiyonofuji bid a tearful farewell to sumo wrestling competition, but his sorrow was tempered by a special retirement bonus of Y100m ($725,000).

Change of use

A mausoleum which housed the body of Bulgaria's founding father of communism, Georgi Dimitrov, for 41 years, will be turned into a storehouse for the national history museum. It was decided last year to cremate the body.

Business Summary

Lufthansa income falls to DM15m from DM110m

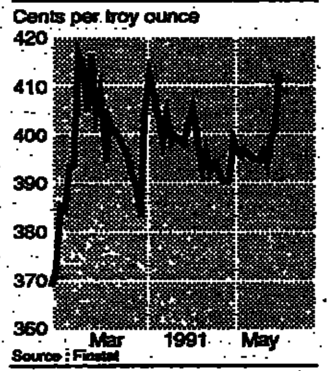
Lufthansa, German national airline, announced that 1990 net income fell to DM15m ($8.7m) from DM110m the year before.

Mr Heinz Ruhnau, outgoing chief executive, announced that the group would not pay a dividend on its ordinary shares after a "clear operating loss." Page 19

SILVER came off its earlier two month highs on the London bullion market in the afternoon on technical selling and profit taking, but still closed 9.5 cents ahead at 411.5 cents a troy ounce. Commodities, Page 34

Silver

Cents per troy ounce



Source: Fiastat

MARKETS: Frankfurt drifted lower, with the DAX index closing 8.15 lower at 1,590.35. Paris had anticipated the resignation of Prime Minister Michel Rocard and the removal of the political uncertainty helped the CAC 40 index recover from a day's low of 1,785.47, to close 2.94 down at 1,802.63. In Tokyo the overnight fall on Wall Street and index-related selling pushed the Nikkei average down 207.61 at 25,822.47. New York: the stock market fell in early trading, depressed by an unexpectedly fierce profits warning from Compaq Computer which helped nudge the Dow Jones down 10.73 to 2,876.12 by 1.30 pm. Stock Market reports, Back Page, Section II

NEWS Corporation, Mr Rupert Murdoch's media group, revealed a net loss of A$205m ($171m) for the three months to the end of March, after absorbing costs of its recently concluded $8bn debt-refinancing. Page 19

Sony, Japanese company which brought the world the Walkman, has announced the launch of the Mini Disc, an audio disc which can be played on a machine the size of a cigarette packet. Page 19

HOECHST, German chemical group, reported an 11 per cent drop in pre-tax profits in the first quarter of 1991 to DM820m ($479.5m). Page 19

NIGERIA is to lift a 12-year ban on British Petroleum's operations. Page 19

AUSTRALIA'S Consumer Price Index fell by 0.2 per cent in the three months to March, pushing the annualised rate of inflation down from 6.9 per cent to 4.9 per cent, the lowest for nine years. Page 4

GERMAN-Finnish consortium led by Siemens' energy unit KWU has won Soviet orders worth up to FM700m ($174m) to build power generators in Leningrad. Page 5

EUROPEAN Community has extended anti-dumping duties on imports of small-screen colour TVs from China and Hong Kong. Page 5

ASAHI Juken, Japanese condominium developer with debts of Y570bn ($4bn), has turned to its creditors for a rescue, a casualty of the collapse of the speculative boom in Japanese land prices. Page 21

ESTIMATED $170bn of investment will be needed over the next 20 years to satisfy growing European demand for gas, according to Mr J. Roland Williams, managing director of Shell International Gas of the UK. Page 34

Kohl confirms Pöhl's resignation from Bundesbank

By David Goodhart and David Marsh in Bonn

MR KARL Otto Pöhl, president of the Bundesbank, will announce his resignation at a lunchtime press conference in Frankfurt today, German chancellor Helmut Kohl confirmed yesterday.

Mr Kohl also attempted to damp the impact of the resignation by denying that there had been major policy differences between them and stressed the continuity of Germany's price stability policy.

"It is not my responsibility to announce Mr Pöhl's decision," Mr Kohl said before a meeting between the two men at which the Bundesbank president was due to spell out his reasons for leaving. "Mr Pöhl has his reasons but its up to him to say what they are," added Mr Kohl.

Mr Kohl said there had been occasional "differences of opinion" between them but added that overall their relationship had been "excellent".

He said: "We will not do anything that will endanger the stability of the German currency. We will not follow a policy of easy money."

In both Bonn and Frankfurt the firm favourite to succeed to Mr Pöhl's job is Mr Hans Tietmeyer, a member of the Bundesbank board and former state secretary in the Finance Ministry. However, Mr Kohl said there might be other candidates.

It seems increasingly likely that Mr Pöhl will go quite soon, possibly before the end of the year, and most probably to a better-paid job in the private sector.

One senior official in Bonn said yesterday: "When Mr Pöhl looks out of his 12th floor window at the Bundesbank he can see the offices of Deutsche Bank, Dresdner Bank and Commerzbank, and the people at the top there all earn a great deal more than him."

Mr Pöhl gave no hint of his intention to resign to fellow central bankers at a two-day meeting at the Bank of International Settlements earlier this week.

The D-Mark strengthened slightly against the dollar yesterday with the markets anticipating a short-term tightening of monetary policy as a sign of continuity during the leadership change at the Bundesbank.

Meanwhile, the possibility that Mr Jürgen Möllemann, the economics minister, would also resign later this year receded when a cut of DM5bn ($2.9bn) in west German tax subsidies was agreed by the finance working party searching for a total of DM10bn in subsidy reductions in the west by early July. He has threatened to quit if the DM10bn cannot be found.

No agreement is yet in view on reducing subsidies to the coal industry or farmers.

Background, Page 3; Currencies, Page 42

Cresson replaces Rocard as French prime minister

By Ian Davidson, George Graham and William Dawkins in Paris

PRESIDENT François Mitterrand yesterday replaced Mr Michel Rocard as France's prime minister with Mrs Edith Cresson, in a move which seemed likely to shift France's socialist government to the left.

Mrs Cresson, 57, will be the country's first woman prime minister, and is expected to bring a more aggressive style and content to economic and social policy.

Mr Rocard handed in his resignation yesterday after several days of mounting speculation over his departure. He had always declared his intention of remaining in office until the next legislative elections in 1993, but Mr Mitterrand has appeared anxious to give a new impetus to his administration.

Mr Mitterrand last night identified the task of the new government as being the preparation of France for the European single market and said Mrs Cresson was "the fittest to reach the target of 1993".

After three years in office, the government has become increasingly bogged down in the difficulties of managing without an absolute majority in parliament, as well as in a series of political financing scandals.

While these scandals have not concerned Mr Rocard himself, they have certainly hamstrung his government.

As the most likely socialist candidate in the presidential election of 1995, Mr Rocard, 60, may also benefit politically from distancing himself from the government's troubles.

His chances of winning the socialist nomination were boosted last night in Mr Mitterrand's letter accepting his resignation. "Today begins a new stage in your public life. I have the conviction that it will offer you other chances to serve France."

Since Mrs Cresson herself is not regarded as a possible presidential candidate, she, too, may have an easier task in managing rival contenders such as Mr Lionel Jospin, currently education minister, or Mr Laurent Fabius, chairman of the national assembly.

Mrs Cresson's appointment was welcomed on feminist grounds by a number of senior female politicians, including the conservative Mrs Simone Veil, former president of the European Parliament.

Other right-wing politicians, however, were more critical. Mr Charles Millon, head of the centre right UDF parliamentary party, warned that her nomination would mean a "new alliance with the communists".

Mrs Cresson is a close supporter of Mr Mitterrand, and so will avoid the appearance of conflict between president and prime minister which has dogged Mr Rocard's administration.

Mayor of Châtellerault, near Poitiers in western France, Mrs Cresson joined Mr Mitterrand's *Convention des institutions républicaines* in 1965, following the future president to the socialist party in 1971.

A former minister of foreign trade, Mrs Cresson has always battled for a tough and interventionist policy in favour of industry. Her hostility to Japanese car imports, in particular, is expected to herald a clash of wills with her more liberal European partners.

It was in protest at Mr Rocard's "lack of an industrial strategy" that she resigned as European affairs minister from his cabinet in October.

She is expected, however, to

Continued on Page 18

Into battle for industry, Page 16

Edith Cresson: expected to bring a more aggressive style

Hanson emerges as mystery buyer of ICI shares

By Clive Cookson and Peter John in London

HANSON, the UK-based conglomerate, emerged yesterday as the mystery buyer of a 2.82 per cent stake in Imperial Chemical Industries, the world's fourth largest chemical group and Britain's largest manufacturing company.

In a short statement just before the London market closed, Hanson said it had bought 20m ICI shares on Tuesday "for investment purposes". Although Hanson would not disclose the price paid, dealers said the acquisition, made through brokers Smith New Court, would have cost Hanson about £240m ($420m).

ICI shares soared in the last few minutes of trading yesterday and closed 60p higher at £12.18. They had opened at £11.01 on Tuesday before Smith New Court entered the market. Hanson shares added 1p to 221p yesterday.

With Hanson refusing to expand on its intentions, and ICI saying nothing beyond noting that Hanson had bought 20m of its shares, speculation about the intentions of Lord Hanson, the company's chairman, ran riot.

Many dealers believed that Hanson's stake was merely an investment, perhaps intended to put some steam back into the London market. They argued that the stake could be sold back to ICI at a profit if the chemical group recovered from its current downturn.

Others saw it as a springboard for a full-scale bid – a £10bn to £15bn takeover to crown the acquisitive career of 69-year-old Lord Hanson.

Although Hanson is not primarily a chemical group, its vast array of businesses include some that overlap with ICI and could cause regulatory problems. The most significant overlap is in titanium dioxide, the main white pigment used in paints, plastics, paper and many other products.

Tioxide, which became a wholly owned ICI subsidiary last December, and SCM, which Hanson bought in 1986, are among the world's leading suppliers of titanium dioxide. With a global excess of titanium dioxide production capacity, it would be hard for Hanson to sell either business soon.

Analysts say that the break-up value of ICI, if Hanson waited until the chemicals industry is out of recession, could exceed £14bn or £20 per share.

The most immediately saleable part is ICI Pharmaceuticals. It is probably worth £4bn to £6bn to another large chemical group which owned a similar sized drugs company and wanted to build a global pharmaceutical business to take on the giants of industry such as Merck of the US and Glaxo of the UK.

Hanson is based in the UK and therefore would not face such strong nationalistic objections as a foreign company bidding for ICI. Even so there is certain to be a powerful political campaign against any Hanson bid.

The unions would fight on the grounds that Hanson would probably run down the 53,000-strong UK workforce faster than the current ICI management. And the scientific establishment would be dismayed at what it might see as a threat to the UK's leading research and development effort in industrial chemistry.

Editorial Comment, Page 16; Lex, Page 18; Marketmakers surprised, Page 19; Shares report, Page 35

Brussels approves draft plans to ban all tobacco advertising

By Andrew Hill in Brussels

DRAFT legislation which would ban all direct and indirect tobacco advertising was approved by European commissioners yesterday, but doubts are already being raised in Brussels about the enforceability of the measure.

The legislation would end all press, radio, cinema, billboard and poster advertising of tobacco and tobacco products in the EC after 1992. In effect, publicity would only be allowed inside tobacconists.

Television advertising will be prohibited by another directive which comes into force at the end of October.

The new directive would also have a profound effect on tobacco company sponsorship, particularly of sports events: sponsorship itself would not be outlawed, but brand logos could not be displayed.

Other goods produced by tobacco groups, such as clothes carrying cigarette-brand logos, would also be banned if they were "promoting a tobacco product". However, luxury goods manufacturers which also produce cigarettes, such as Dunhill, would probably escape the ban.

Mr Ken Collins, Labour MEP and chairman of the European Parliament environment committee, said yesterday that the measure was "great news – a major blow against cancer. We can look forward to a much healthier European Community".

But five out of 15 commissioners at yesterday's meeting in Strasbourg voted against the directive, including prominent free-marketeers like Sir Leon Brittan and Mr Martin Bangemann.

Although sharing the objectives of Ms Vasso Papandreou, the social affairs commissioner, some dissenting colleagues believe she will have difficulty sustaining her case that the directive is an important part of the 1992 single market programme for harmonising health and safety standards.

"To say effectively that reading advertisements damages your health is questionable," one EC official said yesterday.

The internal debate also revolves around Brussels' right to restrict advertising freedom and may foreshadow fierce resistance by some member states.

Last December, health ministers rejected a more modest measure restricting tobacco advertising.

The UK, Germany and the Netherlands objected on the grounds that it would cut across existing voluntary agreements with the tobacco industry.

After that failure, the Commission decided to go for a complete ban, on the grounds that public opinion was strengthening against tobacco advertising and the single market would be distorted if different national measures were still in place at the end of 1992.

As an internal market measure, the new directive will need only a qualified majority of member states in its favour and not unanimous approval.

But with the powerful and vociferous cigarette-makers' lobby already arming itself for battle, it may yet face a tough fight.

CONTENTS

Peru waits for wealthy foreign friends to step in

Peruvians, faced with epidemic, inflation and recession, are looking for a miracle. Even President Alberto Fujimori (left) has joined in the popular frenzy

Page 5

MARKETS

STERLING
New York lunchtime: $1.755
London: $1.748 (1.7385)
DM2.955 (2.9575)
FFr10.03 (10.1075)
SFr2.5 (2.49)
Y241.25 (240.25)
£ index 91.9 (91.8)

GOLD
New York: Comex Jun $360.9 (361.2)
London: $360.15 (357.8)

N SEA OIL (Argus)
Brent Jul $19.3 (same)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.6855
FFr5.725
SFr1.4288
Y137.6
London:
DM1.69 (1.7015)
FFr5.7375 (5.7625)
SFr1.4305 (1.432)
Y137.95 (138.2)
$ Index 65.4 (65.8)
Tokyo close: Y137.89

US lunchtime rates
Fed Funds 6%
3-mo Treasury Bills: yield: 5.618%
Long Bond: 97 31/32
yield: 8.321%

STOCK INDICES
FT-SE 100: 2,459.2 (−4.5)
FT Ordinary: 1,926.2 (+0.9)
FT-A All-Share: 1,190.82 (−0.2%)
New York lunchtime
DJ Ind. Av. 2,879.47 (−7.38)
S&P Comp 370.81 (−0.81)
Tokyo: Nikkei 25,822.47 (−207.61)

LONDON MONEY
3-month Interbank: closing 11 21/32% (11 3/16)
Liffe long gilt future: Jun 90 21/32 (90 9/16)

Jobless rise puts pressure on Poles to reflate

By **Christopher Bobinski** in Warsaw and **Anthony Robinson** in London

MR Leszek Balcerowicz, Poland's finance minister, will today be forced to defend his radical free market policies against critics urging reflation in the face of rising unemployment.

His stand will come at a top level two-day meeting of Polish economists and government officials in Warsaw, to be chaired by President Lech Walesa.

Mr Balcerowicz's insistence on the need to make the fight against inflation the top priority will come under attack by critics both within and outside government who argue for less painful policies in the run-up to general elections this autumn. Unemployment is expected to climb to 2m from the present 1.3m by the end of the year.

Meanwhile, the latest official figures show a $525.6m (£304m) trade deficit for the first four months, increasing pressure on the authorities to reflate the economy and to devalue the zloty against the dollar after nearly 17 months of exchange rate stability combined with high domestic inflation.

Speaking before 300 British businessmen at a conference organised by the Confederation of British Industry (CBI) in London yesterday, Mr Balcerowicz reaffirmed Poland's commitment to the creation of a "competitive, market style, capitalist economy".

He called on British companies to increase direct investment and use their company doctor skills to revitalise former state companies.

Many foreign businessmen had failed to appreciate the extent of the economic changes which had already led to privatisation of 30 per cent of the Polish economy, internal convertibility and large-scale legal and institutional reforms, he added.

Last month Poland reached a 50 per cent debt relief agreement with the Paris Club of official creditors and agreed a three-year structural adjustment credit from the International Monetary Fund. Both are linked to the continuation of present policies aimed at reducing inflation to about 30 per cent this year. "I am sure that President Walesa understands what is at stake," Mr Balcerowicz added.

Official statistics yesterday showed that economic activity slackened again last month as inflation slowed. Preliminary figures show industrial sales fell 10 per cent in April compared with the previous month and were 9 per cent lower than the same month last year.

Meanwhile inflation in April grew by only 2.7 per cent compared with 4.5 per cent in March.

This week workers at the Lubin copper mines went on strike in support of a 100 per cent wage claim and next week the government faces protest action by the Solidarity trade union.

OBITUARY

Miguel Torres

MR Miguel Torres, chairman of Spain's largest independently owned wine company, Miguel Torres SA, died in Barcelona yesterday, aged 82. He is widely credited with transforming the international image of Spanish wine.

Mr Torres trained as a pharmacist before inheriting the family business on the death of his father in 1932. Despite setbacks during the 1936-39 Spanish civil war, Mr Torres built up the company during the 1940s; in the 1950s he concentrated on quality rather than bulk production of cheaper wines. In Spain, his company pioneered the use of modern laboratories, early bottling processes and the importing of vines from France and Germany.

Community labour law compromise forecast

By **David Buchan** in Strasbourg

A WARNING that the Community might have to content itself with amalgamating existing labour market rules, rather than making them more stringent, was given yesterday by the Luxembourg presidency.

Mr Jean Claude Juncker, the grand duchy's labour minister, told MEPs his government's draft treaty on political union, aimed at passing more social legislation by majority, might fail to quell the "old demons" of legalistic wrangling which bedevil this area of EC law-making. "The most important thing is to ensure that countries' existing social laws are not downgraded" in an effort to attract investment and jobs, he said.

His intervention reminded the pro-Social Charter majority in the parliament that Britain was not alone in holding up social advance in the Community.

Mr Juncker said it was difficult to draw a clear legal line in social policy between what should be passed by majority and what should continue to require unanimous approval of the Twelve. To simplify this, Luxembourg officials said, changes were currently being made to the draft treaty.

Mr Juncker warned MEPs that their governments often behaved perversely in the Council of Ministers. He cited the case of Spain joining the UK in demanding that, under the present EC treaty, measures to regulate working time and to improve conditions for pregnant workers must have unanimity, even though this would effectively block legislation which Madrid supports in substance.

Ms Vasso Papandreou, the EC social affairs commissioner, took a more trenchant tack in the debate, promising MEPs that the Commission was doing all it could to produce its promised social directives.

The blame for inaction lay with the Council, she said, adding that there was no sign yet of any moderation in Britain's hostility.

Only charred façades were left standing after the fire which destroyed Lisbon's old centre in 1988

Lisbon waits for a phoenix to rise

Patrick Blum reports that rebuilding is about to start in the Chiado

It was August 1988 when the Chiado, Lisbon's historic centre, was destroyed by fire. Only now, at long last, are the first cranes due to move into the area and start rebuilding. It is not before time.

The master plan for rebuilding has been ready for over a year and work was expected to start last summer, but objections to aspects of the plan by some of the owners, legal difficulties over access to the special restoration fund and bureaucratic infighting kept the cranes at bay.

After months of controversy the Lisbon authorities decided to break the deadlock. They provisionally took over and threatened to expropriate part of the site owned by the Banco Internacional do Funchal (Banif), a Madeira-based bank, which had objected to the planned construction of a hotel on its land, and as a result delayed the start of work.

The decision was pushed forward by the Lisbon council's socialist majority and supported by all other council members present. It could still be challenged in the courts, but Mr Pedro Siza Vieira, legal adviser to Mr Jorge Sampaio, the socialist party leader and mayor of Lisbon, believes this is unlikely. "They might try to contest the decision, but I don't think they will, and we expect work to start by the beginning of next month," he said.

European Diary

Portugal

For all those who loved the district's narrow hilly streets and who mourned the loss of many of the capital's finest traditional shops and old cafés, the start on restoration is long overdue. Only rubble and the gutted buildings' charred façades, propped up by scaffolding, remain. Most of the Chiado was destroyed and many of its shops have moved elsewhere in the city, raising fears that the Chiado may never regain its former character.

The scale of the task of reconstructing 18 buildings, some dating back to the 17th century, in a core area of 9,000 square metres, with buildings in another 4,000 square metres also needing repairs, meant that large parts of the area have to be closed off. But Banif had refused to grant permission because of its objections. It was thus in desperation that the council decided to take administrative control of the site of the Grandes Armazens do Chiado, a former department store belonging to Banif whose location allows proper access to the area.

For commercial reasons Banif favoured rebuilding offices rather than the multipurpose development, including the hotel, envisaged in the master plan drawn up by Mr Alvaro Siza Vieira, a renowned Portuguese architect.

The plan aims to preserve the area's traditional character while allowing more people to live there under better conditions and in greater safety. The lack of fire precautions and difficulty of access in the old Chiado greatly contributed to the speed at which the fire progressed and to the extent of the damage. Before the fire, only six families lived in the area and it was deserted at night. The plan envisages that about one third of building space should be for housing, one third for shops, and the rest for cafés, restaurants, cinemas, galleries and a luxury hotel.

Almost all of the buildings' façades will be restored, there will be new access roads and passages, and courtyards and walkways will be enlarged, though not to the extent that it changes the old Chiado's distinctive identity.

The costs will be high. Rebuilding the central area alone was estimated a year ago at Esc7bn (£28m), not including the cost of repairs to adjacent buildings and over Esc1bn already spent on maintaining the buildings left standing after the fire.

The European Community and the United Nations Educational, Scientific and Cultural Organisation (Unesco) are providing extra finance. Building owners have access to a special line of credit at low interest and are being encouraged with an extra bonus if they agree to give the go-ahead for work before the end of this month. "Everything has been sorted out now, so there's no reason why we shouldn't start with the work," the town hall official says.

Paris to double TGV rail network

By **William Dawkins** in Paris

THE French government is due shortly to adopt a FFr210bn (£21bn) plan to more than double the size of the country's successful Trains à Grande Vitesse (TGV) network over the next two decades.

The scheme, tabled a year ago by the SNCF, the French rail board, has just been agreed by an interministerial committee.

It is due to be confirmed by a state decree in the next few weeks, committing the government in principle to the construction of 16 new lines, leaving France with a 4,700km TGV network, of which 700km is already in service and 560km is under construction.

The exact timing of construction will depend on the results of consultations with local communities and the availability of cash from the state and local authorities, some of which will be asked to subsidise less profitable routes. SNCF officials expect to begin inquiries in the next few months into a TGV line from Paris to Strasbourg and an extension to a planned route through southern France towards the Spanish border.

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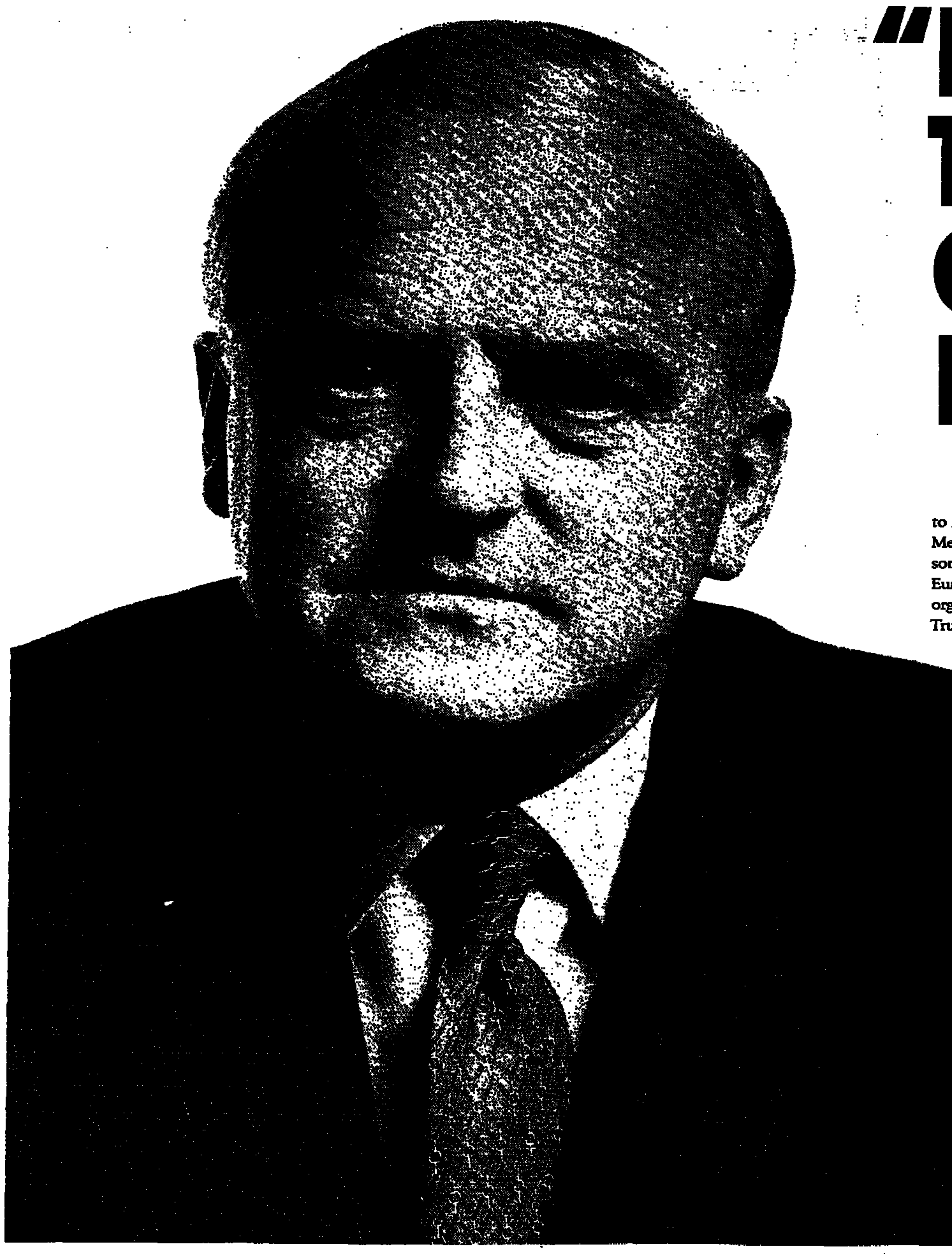


EUROPEAN NEWS

Kohl may increase funding for Soviet troop withdrawal

By David Marsh in Bonn

GERMANY would be prepared to increase its funding to ensure that all Soviet troops are removed from east Germany by the end of 1994, if necessary via the Baltic Sea rather than across Poland, Chancellor Helmut Kohl said yesterday.

Answering questions at a foreign policy conference, he said the government would be willing to pay more than the DM15bn agreed last year if this was required to withdraw the soldiers via the sea route.

"In the case that the water route is necessary...if this was more expensive, that would be no reason not to do it," Mr Kohl said at the conference organised by his Christian Democratic Union.

The remarks, during a meeting in which the CDU attempted to put a new stamp on German foreign policy, represented the first admission from a senior figure that Bonn may have to raise its contribution to the withdrawal of Soviet troops.

As a key component for winning Soviet approval for German unification, Bonn agreed last autumn to provide DM12bn in grants plus a DM3bn interest-free loan to finance the pull out. In recent months Poland's desire for extra funding to facilitate withdrawal of Soviet soldiers and equipment by rail across Polish territory has threatened disrupting the withdrawal schedule.

There have been persistent reports in the last few months that the Soviet Union is asking Bonn for more money to surmount the difficulties in bringing home the overall number of 380,000 troops.

Later in the discussion Mr Kohl remarked in unusually outspoken tones about the Soviet Union's difficulties in paying for ships purchased from shipyards on the east German coast, heavily dependent on orders from Moscow. "They take the ships, but they do not pay for them," said Mr Kohl, adding that this hardly corresponded to German ideas of a market economy.

Yesterday's conference opened with a powerful, although indirect attack on Mr Hans-Dietrich Genscher, the foreign minister, from Mr Volker Rühe, the CDU general secretary.

Mr Rühe quoted a speech by Mr Genscher during the Gulf war in which the Free Democrat foreign minister said that the world should be glad that Germany was showing "reflectiveness" about the use of force in the Gulf war.

Mr Rühe, who has his ambitions eventually set on taking over the foreign ministry post for the CDU, said: "Whoever speaks like this does not simply think in false alternatives, but also states that the Germans have a special form of morality in comparison with our western partners."

Mr Kohl also expressed dissatisfaction with Germany's overall response to the Gulf conflict.

He promised that the Bundestag would later this year decide on the question of changing the constitution to allow the German army to be deployed in United Nations missions abroad.

Kohl: admission

This proposal, promised as a priority after the December general elections, has slipped down the parliamentary timetable because of conflicting views within the coalition and with the Social Democratic opposition.

Commission in move to protect software

THE 12 EC nations have unanimously approved a measure to give computer software the same copyright protection as books and works of art, the Commission said yesterday, AP reports from Brussels. The new law is aimed at stopping software piracy, which costs companies in the seven EC nations without protective measures $4.5bn (£2.6bn) a year, an EC official said.

Soon, computer programs "will benefit everywhere in the Community from the same level of author's rights as literary, musical or artistic works," the Commission stated. Software protection would be added to international copyright accords if the EC's main trade partners agreed.

Until now, five EC countries, Britain, France, Germany, Spain and Denmark, had software-protection legislation.

"To avoid a mosaic of quite different national texts, the Commission proposed coherent European legislation," the statement added.

Police detain a demonstrator after rioting youths in Brussels damaged a police station, shops and cars. Three Moroccans and a Spaniard were arrested after Tuesday night's clashes – which followed three days of rioting at the weekend. Officials blame the heavy concentration of young, poor, ill-educated and jobless immigrants *in some of the capital's districts for the* unrest, aggravated by the police force's lack of training in handling interracial conflicts.

Outspoken Westphalian likely to take charge of central bank

Tietmeyer tipped as Bundesbank chief

Tietmeyer: close political rapport with Waigel

By David Marsh in Bonn

CHOOSING a new German central bank chief is a slightly less complicated exercise than electing a new Pope. But skill is still needed to decipher the smoke signals from the decision-making cardinals – in this case from the grey men in the Bonn Chancellery and Finance Ministry.

In advance of the resignation announcement by Mr Karl Otto Pöhl, the Bundesbank president, today, attention turns to Mr Hans Tietmeyer, the Bundesbank director, who is widely expected to take over.

Mr Tietmeyer, a member of Chancellor Helmut Kohl's Christian Democratic Union (CDU), is a solid and opinionated Westphalian who knows and speaks (often at some considerable length) his own mind.

He developed a close political rapport with Mr Theo Waigel, the finance minister, during the nine months in 1989 in which Mr Tietmeyer served under Mr Waigel as state secretary at the finance ministry.

Mr Pöhl respects Mr Waigel. But Mr Pöhl has never forgotten that the current finance minister twice – in 1979 and 1987 – as a more junior politician opposed his nomination and, later, re-election as head of the central bank.

Towards the end of 1989 both Mr Waigel and Mr Tietmeyer spoke out in irritated tones about the lack of support Bonn was receiving from allies like Britain and France in pursuit of German unification. Mr Pöhl would never have done this.

This is partly because he is more diplomatic, and partly because he was never particularly interested in German unity.

(Mr Pöhl now however is developing greater interest in east Germany. He is exploring the idea of helping establish a new international university at Erfurt in the eastern part of the country.)

Had Mr Pöhl announced his departure a few years earlier, Mr Helmut Schlesinger, vice president since 1980, would have been the main candidate as successor. Mr Schlesinger is, however, due to retire in September next year.

Although an extension beyond the normal 68-year retirement age is possible, the Bundesbank's statutes state that a president must be appointed for at least two years.

The trail of German central bank chiefs is studded with upsets. The two last Reichsbank presidents, Mr Hjalmar Schacht and Mr Walther Funk, both ended in the dock at the post-war Nuremberg tribunals. Mr Schacht was acquitted, whereas Mr Funk received a life sentence. Bitter strife over displacing Mr Schacht's predecessor in 1923, Mr Rudolf Havenstein (who had been appointed for life), was resolved only when Mr Havenstein obligingly died of a heart attack.

More recently, Mr Wilfried Guth turned down the job of Bundesbank chief when he was offered the post by former Chancellor Helmut Schmidt in 1979. Mr Pöhl was nominated instead.

One of the reasons behind Mr Guth's rejection of the job was that he could earn more money, and with greater personal freedom, outside the Bundesbank. More than a decade later, these same issues have been important factors behind Mr Pöhl's decision to seek life beyond the Bundesbank.

Sino-Soviet border pact may emerge from Moscow summit

By John Lloyd in Moscow and Yvonne Preston in Peking

AN AGREEMENT on the long disputed border between the Soviet Union and China could be signed in Moscow this week, Wu Jian Min, the Chinese foreign ministry spokesman, said last night.

Wu was speaking after the first round of talks between Jiang Zemin, the general secretary of the Chinese Communist party and President Mikhail Gorbachev, general secretary of the Soviet party.

He said that "both sides have made substantial progress towards agreement, on the basis of mutual understanding and concessions".

The official China News Service reported yesterday that both sides had almost reached agreement on the delineation of the 7,000km-long border, but though this applies to the greatest part of the border the demarcation of around 10 per cent of it still presents some problems.

The Russian-speaking Chinese general secretary, the first Chinese party chief to visit the Soviet Union since 1957, was accorded the full diplomatic honours befitting a head of state. He then spent 2¼ hours in talks in the Kremlin with Mr Gorbachev. His spokesman said that "the significance of this summit is to close the door on the past and to open the door to future relations".

He said that "agreement between the Soviet Union and China would promote peace and stability in the Pacific region, without harming the interests of third parties".

Rather pointedly, Mr Jiang told the embattled Soviet leader, who visited Peking two years ago during pro-democracy protests, that "practice has shown that stability is very important for a country as large as China.

"Without stability there can be no reforms and no development".

Baker perseveres with Israel in drive to further peace

By Hugh Carnegie in Jerusalem

MR JAMES Baker, the US Secretary of State, held lengthy talks with Israeli leaders yesterday, as he persevered doggedly with his two month old Middle East peace mission despite rising scepticism over his chances of success.

"We are still working," Mr Baker said after two hour discussions with Mr Yitzhak Shamir, the Prime minister and Mr Moshe Arens, the Defence Minister.

The second session was joined by Mr David Levy, the Foreign Minister, who had just returned from talks in Brussels with European Community foreign ministers.

Both sides said further talks would follow before Mr Baker was due to depart today.

Mr Baker, coming to the end of his fourth Middle East shuttle since mid-March, has so far refused to give up his attempt to convene a regional peace conference that would trigger the first significant Arab-Israeli negotiations since Israel and Egypt made peace 12 years ago, despite deep differences between Israel and Syria over how the conference should work.

Mr Shamir is adamant that the United Nations should play no part in the conference. Syria says it must participate. Israel wants no extension of the full conference beyond a symbolic opening function.

Syria says it must periodically reconvene to monitor progress in bilateral negotiations. Mr Baker apparently presented the Israeli ministers yesterday with a memorandum listing points of agreement and disagreement.

There were indications from the Israeli side that the possibility had been raised of a less ambitious peace plan excluding Syria under which Israel would enter negotiations with Jordan and the Palestinians.

Before joining the talks, Mr Levy gave an upbeat assessment of his recent talks in Brussels. He said Israel's requests for aid to finance Soviet Jewish immigration and trading status equivalent to that accorded to the Efta countries had been received with "understanding and readiness".

He said he favoured allowing the EC to play a prominent role in the peace process – a situation which Israel until quite recently opposed – if the community accepted what he called US-Israeli protocols on the process and it was clear israel would continue to be accorded "special status" by the EC.

Israel is particularly anxious to win the same conditions as Efta countries on "rules of origin" for its high-tech exports.

Under its present 1975 free trade agreement with the EC, the country's most important trading partner, Israel faces tighter restrictions on the inclusion of non-Israeli inputs in its products than Efta.

Mr Baker crosses the Jordan river yesterday into Israeli-occupied West Bank. He was accompanied by Brig Gen Gadi Zohar, head of the Israeli civilian administration

Kurd relief drive at a crucial point

By John Murray Brown in Ankara

A MONTH after its launch, the international relief operation to assist Kurdish refugees is at a crucial point. While leaders of the Kurds negotiate with the Baghdad regime on the terms of an autonomy agreement, refugees close to the Turkish border still await signs that it is safe to return home.

"It's just like M.A.S.H," said Prince Sadruddin Aga Khan, the UN special envoy, after a visit yesterday to Zakho, the Iraqi town which is at the centre of the allied plan to create a safe haven for the refugees.

The coalition forces in northern Iraq, like the US medics in the popular television serial, are longing to go home, an attitude which Baghdad is keen to encourage.

But President Turgut Ozal of Turkey has urged the coalition forces to stay, fearing that without them many refugees will refuse to return home. Even in Zakho security appears tenuous, as illustrated on Monday when British marines were fired on by Iraqi soldiers.

The latest UN proposal, unveiled by Mr Pérez de Cuéllar, the secretary general, envisages deploying 400-500 lightly armed UN personnel. "The Iraqis have underscored they do not need the UN for very long. Its only because of the sanctions," said Prince Sadruddin.

Officials said he had discussed the idea with Iraqi officials in Baghdad. Iraq had earlier rejected both a UN peacekeeping force and the British proposal for a UN police force to take over security.

The UN, while insisting its plan is distinct from the safe havens concept, has already shifted position. On Monday, the UN High Commissioner for Refugees, the lead agency, formally took control of the Zakho transit camp. A statement said the UNHCR had assumed responsibility on the expectation that "the current conditions of security will prevail."

The UN earlier set its conditions to take over the camp. It had to be ready, funded, and demilitarised. "What we mean is there are no coalition forces, no arms in the camp and no visible arms in the town. We are not going to operate in the camps as part of the occupying force," said one UN official.

The prince believes the UN's increased presence could be the incentive for refugees to return. "The real test is the number of people going back," he said. "Since we planted the UN flag in Zakho very nearly 160,000 have arrived."

Australian rate of inflation at nine-year low

By Kevin Brown in Sydney

AUSTRALIA'S Consumer Price Index fell by 0.2 per cent in the three months to March, pushing the annualised rate of inflation down from 6.9 per cent to 4.9 per cent, the lowest for nine years.

The quarterly fall – the first since 1963 – was almost entirely due to a bigger than expected reduction in fuel costs, and lower mortgage charges following an easing in interest rates early in the year.

However, the figures will provide welcome relief for Mr Bob Hawke's Labor government, which has been damaged by four quarters of slow or negative growth and a rapid rise in unemployment to 9.9 per cent. Mr Hawke said the annualised rate was "not a figure that is capable of achievement in any of our main trading partners", and forecast that Australian inflation would remain below the OECD average of 6.7 per cent.

Mr Paul Keating, the Treasurer, said the situation was "an historic result for the country's long-term economic well-being", and claimed Australia was on course for a decade of low inflation.

Mr Keating said there were few inflationary pressures in the economy, and suggested the index might rise by as little as 0.5 per cent in the three months to June, which would cut the annual rate to 3.8 per cent. The Treasurer said the March figures "bode well for lower interest rates", but refused to say when a reduction might come.

Analysts said that the official money market rate of 11.5 per cent was likely to fall before the end of the month, probably by 50 basis points, with a further cut delayed until June.

Most forecasters said the annual rate of inflation would fall to between 3 per cent and 4 per cent by the end of the year, but would accelerate to around 5 per cent next year, especially if the economy begins to recover.

However, the underlying rate will probably remain at around 4.5 per cent, which would represent a significant improvement on the average of around 8 per cent for the last two decades.

The Liberal opposition said the improvement was welcome, but claimed it was an unintended consequence of the recession sparked by the government's high interest rates policy.

Dr John Hewson, the Liberal leader, urged the government to adopt the New Zealand inflation target of 0-2 per cent, and said a Liberal government would step up the fight against inflation by increasing the independence of the Reserve Bank of Australia.

Japanese opposition leader wants to resign

By Robert Thomson in Tokyo

MISS Takako Doi, leader of the main opposition Social Democratic Party of Japan, yesterday indicated that she wanted to resign to take responsibility for the collapse of the party's popularity.

The SDPJ, formerly known as the Japan Socialist Party, has performed poorly in recent local elections and Miss Doi, once seen as a potential prime minister, has been under pressure to resign the chairmanship from younger members of her party.

Miss Doi told a meeting of branch representatives yesterday that the entire leadership had contemplated resigning to take responsibility for the party's problems, but that a formal decision on a reshuffle should wait until an extraordinary conference in July.

The party is divided by argument between younger, pragmatic reformers and more orthodox Marxist members, who have held the balance of power at senior levels, but who are reckoned to represent 30 per cent or less of the membership. Miss Doi indicated that if she does resign, the decision should be seen as part of the leadership's determination to make "a fresh start", though she would like to set party reform in motion before she leaves office.

Whether Miss Doi leaves the post is likely to depend on a party debate on allowing ordinary members to choose the next leader instead of senior party representatives who find it difficult to agree.

Younger SDPJ parliamentarians fear that change is impossible with Miss Doi leading the party, as she agrees with the left-wing on several important issues and has been personally unwilling to adopt more pragmatic policies.

India is offered $1.2bn credits

By David Housego in New Delhi

THE INDIAN government, which is having increasing problems financing imports, has been offered $1.2bn in suppliers credits by the Hinduja group, the Indian-owned trading and financial concern based in London.

The Hinduja proposal would involve a $1bn loan for the purchase of oil and petroleum products and $200m for fertilisers and non-ferrous metals. Both would be supplied under long-term agreements through trading arms of the Hinduja group. They would be financed out of a rolling 180-day credit line.

The offer comes at a time when the drop in India's creditworthiness abroad has virtually closed the door to fresh commercial borrowing abroad by Indian institutions.

Indicative of the gravity of the situation, US banks recently reduced by $1bn the $3.2bn short-term credit facilities they had provided to Indian banks.

The State Bank of India, and the two other Indian institutions which had been the intermediaries for this short-term borrowing from the US, are also now having to pay from 1 to 1.25 per cent over the London interbank rate – or almost twice what they had previously paid.

The embarrassing cut in India's outstanding short-term borrowings is accompanied by worrying signs that Indians resident abroad are withdrawing foreign currency deposits from India for fear these might be frozen under a new government.

The unprecedented proposal by the Hindujas effectively to act as India's bankers is being studied by the administration. It is intended to signal the group's long-term confidence in the economy.

It also ties in with their commercial strategy of increasing their industrial and business interests in India as privatisation, or other projects open up fresh opportunities.

They currently hold a 40 per cent stake in Ashok Leyland, the truck manufacturer. Gulf Oil, the oil trading company which is owned by the Hindujas, has recently supplied several cargoes of crude and products to the Indian Oil Corporation.

The worsening foreign exchange situation has forced the government to tighten even further what were already drastic import curbs. Importers are now required to put down a cash deposit of 200 per cent on opening a letter of credit.

Letters of credit are also now referred to the Reserve Bank for its approval.

The result of these measures has been to curtail dramatically the import of manufactured components and of metals such as zinc and copper. The non-ferrous metal industry is almost at a standstill and the electronics industry is also badly affected.

Hong Kong backs down on tobacco tax

By John Elliott in Hong Kong

HONG KONG'S government yesterday suffered its biggest setback at the hands of an increasingly assertive Legislative Council when, in order to avoid rejection of a key budget measure, it was forced to halve a 200 per cent increase in tobacco tax announced two months ago.

This unprecedented cave-in by the authorities has provided a foretaste of growing government problems as the council becomes politicised with its first direct membership elections in September. In the past the council has generally worked on the basis of government-guided consensus.

Scaling down the tax rise to 100 per cent was a personal setback for Sir Piers Jacobs, financial secretary, who proposed the 200 per cent increase as a health measure in his final budget. He retires this August after a four-year appointment marked by mishaps.

The budget increase was accompanied by a retailers' price rise and pushed a packet of 20 cigarettes up from HK$12.50 (94p) to HK$24.

It provoked an outcry from Hong Kong's heavy smoking population which was backed up by the influential tobacco industry lobby.

Cigarette smuggling from China increased sharply with brands sold at half the new price. Normal retail sales fell by up to 70 per cent.

There were also complaints that budgets should not be used for social engineering, and there was broad-based resentment that the increase formed part of a switch from direct to indirect taxes which would hurt the poor in a colony dominated by the rich.

The concession is expected to cut HK$400m-HK$500m from a planned budget surplus this year of HK$1.3bn.

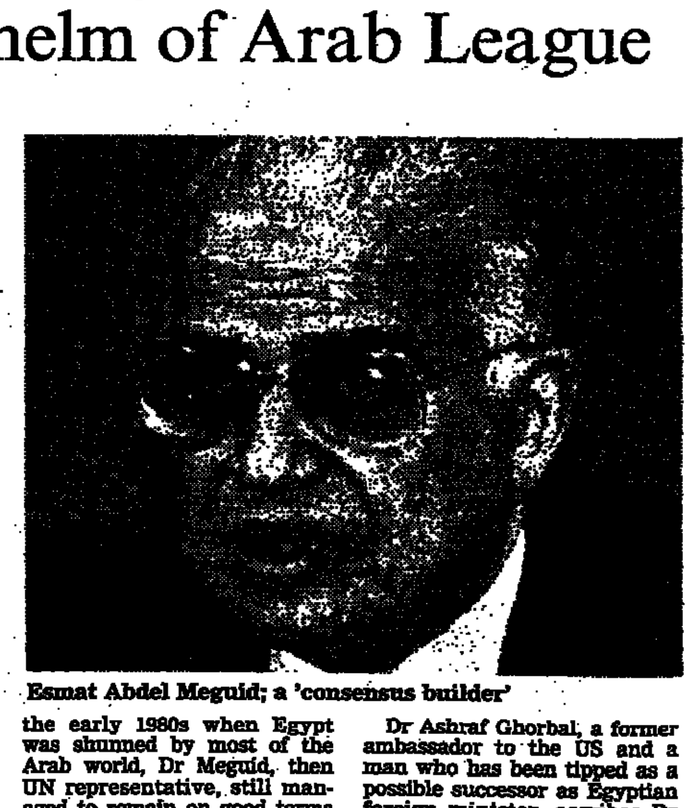
Sphinx-like figure seeks calm waters at helm of Arab League

By Tony Walker in Cairo

WHEN THE inscrutable, Sphinx-like figure of Egypt's Dr Esmat Abdel Meguid was acclaimed yesterday in Cairo as the Arab League's new secretary-general it was almost as if things had returned to normal after the recent turbulence.

An Egyptian had been installed to guide the Arab world's premier organisation in a city regarded as the region's hub, just a few months after the Arab League headquarters returned to its home on the banks of the Nile.

It was almost exactly 12 years ago that Egypt, after signing the peace treaty with Israel, was suspended from the League and the organisation moved to distant Tunis. Those years were marked by a continuing decline in the League's effectiveness culminating in the Kuwait crisis.



Esmat Abdel Meguid; a 'consensus builder'

Now, Egyptian officials say there is an opportunity to rebuild the League into a more effective body for the promotion of Arab concerns, and perhaps more important as a vehicle for resolving the disputes that swirl constantly about the Arab world.

While Arab states buried their differences momentarily to elect Dr Meguid, the fact that yesterday's agenda carefully avoided contentious issues was a clear sign that bitterness persists.

The new secretary-general has no easy task, with the Arab world in continuing disarray and President Saddam Hussein still in power in Baghdad.

However, among his peers, Dr Meguid, 68, a veteran diplomat and foreign minister, is given as good a chance as any of helping to resolve many of the highly-personalised disputes that continue to bedevil Arab politics.

Mr Mahmoud Riad, who served as Arab League secretary-general throughout the 1970s until Egypt's suspension, described Dr Meguid as a "consensus-builder". Mr Riad noted that during the Sadat era of the early 1980s when Egypt was shunned by most of the Arab world, Dr Meguid, then UN representative, still managed to remain on good terms with fellow Arab ambassadors. The new secretary-general replaces the Tunisian, Mr Chedli Klibi, a casualty of the bitter wrangling that accompanied the Gulf crisis.

Apart from his UN post, which he filled from 1972 to 1983, Dr Meguid has also served as ambassador to France, minister of state for cabinet affairs and head of Egypt's state information service – the latter two posts under President Sadat.

Dr Meguid became foreign minister in July 1984 and was fairly recently appointed one of four deputy prime ministers. Among his more notable characteristics is an ability to speak to reporters for long periods without actually saying anything newsworthy.

Equally fluent in English and French, Dr Meguid is regarded by friends as a man of cosmopolitan tastes. He is known as a voracious reader, and also as someone who likes opera and the theatre.

Dr Ashraf Ghorbal, a former ambassador to the US and a man who has been tipped as a possible successor as Egyptian foreign minister, ascribes Dr Meguid's undoubted self-discipline and his cautiously logical approach to the grounding he received at a Catholic school in his hometown, Alexandria.

"He weighs things very carefully, he's a good listener and you can rely on his good judgement," observed Dr Ghorbal. "He always strikes you as a thoughtful person who ponders things thoroughly."

● Yesterday's Arab League meeting was marred by the first direct verbal clashes between Iraq and Kuwait since the end of the Gulf war, Max Rodenbeck writes from Cairo.

Although delegates had agreed to drop controversial issues from the agenda, the representatives of Kuwait and Iraq exchanged heated accusations. After Sheikh Salem al Sabah, Kuwait's foreign minister, cited Iraqi war crimes against his country, the Iraqi delegation leader accused Kuwait of "bickering and gloating" when Arabs should be seeking to heal their wounds.

AMERICAN NEWS

Setback for limit on bank deposit insurance cover

By Peter Riddell, US Editor, in Washington

THE Bush administration's plans to limit insurance coverage for bank deposits have suffered a setback with the rejection of key provisions by a House of Representatives committee.

During the first day of debate on the Treasury's comprehensive bank reform plan, the House Banking Committee's sub-committee on financial institutions defeated by one vote a proposal to restrict the number of accounts of $100,000 qualifying for insurance coverage.

At present, a person can have various insured accounts at one bank. The Treasury had proposed limiting the protection to two accounts (one normal, one retirement) per institution.

The defeat of this provision (by 18:17) is a victory for small, independent banks worried that limiting coverage would hurt them. They feared a flow of deposits to big banks where deposits would be protected under the "too big to fail" doctrine (rejected by the sub-committee last week).

The sub-committee also substantially amended the proposal to end insurance coverage of brokered deposits, which are channelled into banks by Wall Street brokers. Protection for brokers will be limited to banks ranked in the top two of five capital standard ratings. This benefits the larger and stronger New York houses, notably Merrill Lynch.

However, there is a long way to go before a final version of the legislation emerges in the House, let alone in the Senate or in joint conference. Moreover, this outcome does not rule out other aspects of banking reform, such as nationwide branches.

Some House members from rural states, who back broader reform, voted against the Treasury on deposit insurance coverage.

Even so, the vote indicates the uncertain prospects for comprehensive reform, in spite of the personal support by President George Bush and the lobbying by Mr Nicholas Brady, Treasury Secretary.

Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, told the Senate Banking Committee yesterday that, while he favoured broad-based banking reform, he remained opposed to allowing industrial companies to own banks (as proposed by the Treasury). He said this would be "neither progressive nor cautious" in that it would concentrate economic power and increase the risks to the bank insurance fund.

The sub-committee approved Treasury proposals to stop "pass-through" insurance of deposits in banks of managed pension funds, and coverage of bank investment contracts.

Spanish pact with Brazil

PRESIDENT Fernando Collor de Mello of Brazil arrived in Spain yesterday for a two-day state visit aimed at sealing a new economic co-operation treaty, which is to cover $3bn in state and private investment for his country, AP reports from Madrid.

The treaty is to enhance trade and political ties with Spain, which already has similar pacts with Mexico, Chile, Argentina and Venezuela, the Spanish foreign ministry said.

The high point of the visit is to be the signing tomorrow of the guidelines for the treaty, with Mr Felipe González, Spanish prime minister, at the El Pardo palace, the residence used by state visitors. Mr Collor is also expected to meet Spanish business leaders.

Spain imported $966.9m in products from Brazil last year, and exported just $184.4m in goods and services to that country, according to Spanish official statistics.

Mr Collor and Mr González were also due to discuss the upcoming series of summits of Latin American and Spanish heads of state.

Mexico is to host the first such summit this summer, Spain plans to serve as host next year and Brazil is set to host the third in 1993.

Inventories cut by fall in US demand

By Michael Prowse in Washington

US COMPANIES cut inventories sharply in March in response to falling demand, the Commerce Department reported yesterday.

After seasonal adjustment, total inventories of manufacturers and distributors fell 0.8 per cent to $821.6bn. But they remained 1.3 per cent higher than in the equivalent period last year, in spite of a 3.4 per cent decline in sales.

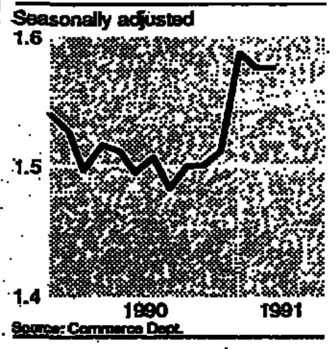
This suggests inventories will be trimmed further in the current quarter, putting downward pressure on gross national product.

At cyclical turning points, the behaviour of inventories is a critical determinant of the economic outlook – changes in the stock of unsold goods typically account for a large share of the GNP's rise or decline.

Total sales by manufacturers and distributors fell 1 per cent to $522.6bn last month, roughly keeping pace with the decline in inventories. The key inventories-to-sales ratio was thus unchanged at 1.57, but it remains well above the level of 1.50 near which it fluctuated narrowly in the three years before the onset of recession last July.

US business inventories/Sales ratio

Seasonally adjusted



Source: Commerce Dept.

Among sectors, retailers are having the greatest success in controlling inventories: the ratio of unsold goods to sales has fallen slightly in the past year.

The rise in the overall ratio, however, is modest by the standards of previous recessions.

Peru awaits a miracle from abroad

Promises to help pay debts are taking time to materialise, reports Sally Bowen

PERUVIANS are looking for a miracle. Two statuettes of weeping virgins in Lima's port of Callao have been attracting crowds of people in search of cures or comfort; a Brazilian faith-healer was mobbed like a pop star during his few days in Peru by desperate miracle-seekers.

President Alberto Fujimori has joined in the popular frenzy. He paid a visit to the Virgin of Fatima in Portugal to pray for Peru and pronounced his injured finger cured by Brazilian healer João Texeira.

For most Peruvians, and maybe for the president too, there seems little option but to wait and hope. Despite a tough economic stabilisation programme and sweeping structural adjustments, the "support group" of friendly countries which is meant to help pay Peru's multilateral creditors has still not materialised.

Meanwhile, local conditions deteriorate still further. In the middle of a cholera epidemic, which officials say has claimed moe than 1,300 lives, a health workers' strike is into its eighth week. Nurses, like most public sector employees, earn the equivalent of about $50 per month – a quarter of the cost of basic food for a family of five.

Fiscal austerity and a zero monetary emission policy have sharply restricted the local money supply and cut inflation. The 5.8 per cent rise in consumer prices last month was the lowest monthly increase for almost four years – but inflation for this year is running at almost 40 per cent while most wages have stagnated.

Fujimori unleashes his karate prowess on a brick

"We have exchanged hyper-inflation for hyper-recession," said one leading analyst. Output for the past two months has been 9 or 10 per cent down on the equivalent months last year. Local manufacturers are struggling for survival against new, low tariffs on imports while the overvalued inti and high local costs mean farmers cannot compete with imported rice, wheat and maize.

There is consensus that the government's liberalisation policies are correct. "The medicine is perfect but the dose has been too strong," says Mr Salvador Majluf, president of the national manufacturers' society (SNI). "It's a vicious circle, with production and consumption indicators through the floor."

Prospects for even minimal recovery this year are agreed to be slight. Mr Carlos Boloña, economy minister, said: "Growth is out of the question at present. I wouldn't even venture to say that we've touched bottom yet."

Peru's fiscal problem hinges on low tax collection. Fiscal pressure has improved the all-time low – in terms of percentage of gross domestic product – of less than 4 per cent at the end of the preceding administration in July kast year, it reached only 7.3 per cent for the first quarter of 1991, far short of the 12 per cent budgeted.

Mr Boloña has had to return to Congress to ask for a new annual budget; heavy end-of-year inflation meant the allocation made last December has already been used.

Many Peruvians are asking where further cuts can be made. Teachers, also earning the equivalent of some $50 a month, called an indefinite strike from May 8. The apparent failure of 3m schoolchildren to register for classes in this school year points to a 30 per cent increase over the 1990 absence level. Many parents cannot afford registration fees, and central Lima is more swollen than ever with children selling contraband merchandise on corners to eke out family incomes.

Peruvian hopes of substantial international financing are fading. The original expectation of $2bn to pay off arrears to the multilateral lenders has been downgraded to a more modest, but still unconfirmed, $513m. This would cover just the monthly payments Peru is making this year to its multilateral creditors.

The US and Japan have agreed to head the support group raising the cash. According to Mr Fujimori, the two have pledged about $350m. The remainder will come from 13 or 14 other friendly countries, including several EC members, Spain, Mexico, Venezuela and Colombia.

Contrary to popular misconception, fed by press headlines, none of this money will enter Peru. Even so, if the promises materialise, the $43m a month thus freed could be used for selective wage rises for the police, the military, health and education workers, and to make a start on urgent public health improvement and road repairs.

For a political novice with no organised political base and a fragmented parliamentary party, Mr Fujimori survives much more effectively than could be expected. Described by close associates as "highly authoritarian" and "totally pragmatic", he keeps a tight rein on ministers, who have proved highly disposable. Only two of the originals remain.

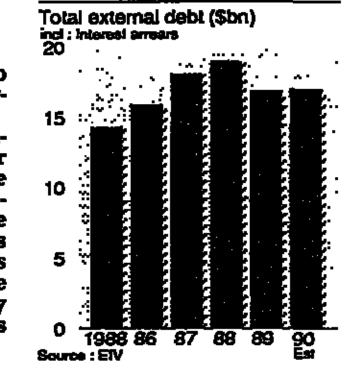
"The president's strength is that he trusts no-one," says a close adviser. "His various circles of advisers – formed by Japanese-Peruvian friends and relations, the military, his old Agrarian University classmates and the economists – are quite separate."

Mr Fujimori has sparred with some of Peru's most entrenched institutions – the Catholic Church, the judiciary, Congress and oligopolies in general. He is usually restrained and monosyllabic, but when in a populist vein, he lets fly: pharmacists become "merchants of death," judges are "jackals and scum."

The Peruvian people seem inclined to give him a little more rope yet. After a sharp popularity dip to about 35 per cent in March, Mr Fujimori has climbed back to 50 per cent plus.

Peru

Total external debt ($bn)
incl: Interest arrears



Source: EIV

Washington and Lima sign accord on drug trade

THE US and Peru have signed a long-awaited agreement on drug trafficking, Sally Bowen writes from Lima.

It contains no specific financial commitments, but President Alberto Fujimori said: "The possibility is now accepted of debt reduction or debt swaps with the US, to back a firm programme of economic reform, oriented to growth in Peru."

Mr Fujimori went before a special session of Peru's Congress late on Tuesday to explain the framework accord, saying both parties now accepted responsibility over the drugs problem.

Peru produces about 60 per cent of the world supply of raw coca leaf; the US consumes 80 per cent of all cocaine and other coca derivatives.

The failure of earlier strategies, based on simple repression of coca-growing and enforced eradication of crops, is recognised.

The new agreement establishes the right of coca farmers to make their voices heard – they are to participate in decisions and to receive assistance in switching to alternative crops, by technical means and through the issuing of land titles and credit, as well as by access to assured national and international markets.

There has been criticism of the government's secrecy over the agreement, under negotiation for the past six months. The Peruvian constitution requires international treaties, but not "accords", to be ratified by Congress. Parliamentarians had called for debate but Mr Fujimori has presented them with a fait accompli, the accord having been signed in private by officials shortly before the president's address.

WORLD TRADE NEWS

Dunkel urges US, EC to end Gatt talks deadlock

By Peter Montagnon, World Trade Editor

THE US and EC must set aside their mutual recriminations on trade policy and break the log-jam in the Uruguay Round of multilateral trade negotiations, Mr Arthur Dunkel, Gatt director-general, said yesterday.

Trade relations across the Atlantic "are bedevilled by accusations, self-righteousness, mutual misunderstanding and the inability to distinguish special-interest pleading from the general public good, " he told the European Atlantic Group in London. The political resolve was there to complete the Round, and expectations were that the US Congress would shortly extend the Bush administration's fast-track negotiating authority.

In a hard-hitting but evenly-balanced speech from an official noted for his respect for diplomatic niceties, Mr Dunkel laid the responsibility for ensuring success firmly on the two main trade powers.

Trade experts said the speech was a recourse to shock tactics in an effort to persuade both sides to overcome the severe deterioration in relations that has developed between top negotiators on both sides of the Atlantic. It is now widely known that since the failure of the Brussels trade ministerial meeting last December, some leading officials involved are scarcely on speaking terms.

"Political resolve is one thing, negotiation another. Whenever we attempt to translate political resolve into the nitty-gritty of negotiation, we appear to suffer from something akin to a dialogue of the deaf," Mr Dunkel said.

Trade policy reviews conducted by Gatt on both the US and the EC had shown they were both worthy of criticism, but each now insisted on painting the other absolutely black.

"It really is quite a sterile procedure for the major trading nations to throw figures backwards and forwards, as if merely winning the numbers argument somehow supplies an answer to the real challenge of the Uruguay Round.

"Let us be in no doubt, the days of passing the buck all round the globe as a means of avoiding the crucial political challenges in trade policies are long gone... Now the focus is clearly on Washington, Brussels and the other capitals of the European Community. The world's attention can neither be diverted nor avoided."

Dunkel: Speaking out

The Round was about growth in economic and social welfare. It should be a matter of self-interest for both Europe and the US. Only a balanced and substantial package of results on subjects ranging from market access, textiles, and strengthened rules to new areas such as trade in services and intellectual property would satisfy all participants.

Negotiators were near achieving the original, ambitious aims set when the Round was launched. Brussels and Washington now bore the responsibility for paving the way to a successful conclusion.

Over 45 countries, from Mexico to Morocco, Indonesia, the Philippines and Czechoslovakia had taken autonomous trade liberalising measures in expectation of a successful result to the Round.

"Are they now to be told it was all a confidence trick? They did what the big industrial powers wanted. Yet are those same powers, the founders and greatest beneficiaries of the Gatt system, too politically fragile to take even small steps towards much-needed reform themselves?"

Businesses, farmers, consumers, economic reformers everyhwere were being deprived of the opportunities afforded by the Round and were unable to plan for the future, he added.

Brussels extends China, HK TV duties

THE European Community has extended provisional anti-dumping duties on imports of small-screen colour TVs from China and Hong Kong, EC officials said yesterday, Reuter reports from Brussels.

The Commission had asked ministers to prolong the duties by up to two months, as they had not yet decided whether to make them definitive, the officials added.

Under EC rules, provisional duties lapse if ministers take no decision within four months.

The provisional duties, equal to 17.4 per cent for Chinese TVs and 4.8 per cent for Hong Kong TVs, were first imposed after EC electronics makers said they had suffered losses due to cut-price imports. A Commission inquiry uncovered dumping margins of up to 17 per cent.

While the China Great Wall Industry Corp will pay the maximum duty, the Commission cut rates for some exporters. China National Electronics Corp will pay 16.3 per cent, China National Light Industrial Products Corp 16.8 per cent, Fuijan Hitachi Television 13.1 per cent, and Huaquiang Sanyo Electronics 7.5 per cent.

In Hong Kong, Hanwah Electronics will pay the maximum rate of 4.8 per cent, while Cony Electronic Products will pay 3.1 per cent, Kong Wah Electronics Enterprises 3.1 per cent, Koyoda Electronics 4.6 per cent, Luks Industrial 4.1 per cent and Tai Wah Television Industries 2.1 per cent.

Siemens shares in Soviet power deal

A German-Finnish consortium led by Siemens' energy unit KWU has won Soviet orders worth up to FM700m (£100m) to build power generators in Leningrad, Reuter reports from Munich.

Siemens said KWU would receive most of the orders, with the rest going to Finland's Teollisuuden Voimansiiroto Oy Polar Rakennusosakeyhtioe and IVO International. The consortium had already signed a contract with the Soviet Union's Vpo Zarubezhenergostroi and Lenenergo.

US weighs risks of Moscow aid

Nancy Dunne reports on the perils of farm export loan guarantees

THE US farm lobby is pressing for $1.5bn in loan guarantees for Moscow, but the administration is being extremely cautious before it makes a decision. President Bush has despatched a team of agriculture experts to Moscow to help find a cure for the Soviet food distribution system.

The lessons of a decade of debt crises have left their mark. Legislation approved last year requires the Administration to consider a country's creditworthiness before financing commodity sales.

In this case, the risk is both political and economic. No one knows if the Soviets can or will repay these short-term loans when the notes fall due, whether President Mikhail Gorbachev will even be in office on that day, or indeed whether the Soviet Union itself will still be intact.

No one knows if a failure by the US to help stave off food shortages will not further destabilise an already shaky central government.

The Soviets have already had $1bn this year in food credit guarantees. Another $1.5bn would considerably stretch the capacity of the $5bn credit guarantee programme.

President Bush has said he badly wants to help Mr Gorbachev, who personally requested the credit, particularly at a time when he is being helpful in the Middle East and when he seems to have veered back towards liberalisation. But the budget deficit and the recession require caution. A report by the Congress General Accounting Office found that, of the $11.2bn of USDA credit, 60 per cent is in danger of default.

Mr Curtis Kamman, the deputy assistant secretary of state for European and Canadian affairs, last week recited the gloomy Soviet statistics before a house agriculture subcommittee.

In the first quarter of this year, agriculture production fell by 13 per cent over the same quarter in 1990; gross national product declined by 8 per cent; Soviet exports dropped 18 per cent and overall trade volume plummeted by over one-third.

"As jolting as this dismal ledger of statistics is, it apparently has not brought the Soviet leadership to take the measures necessary to open up the economy and begin in earnest the process of establishing a market economy," Mr Kamman said.

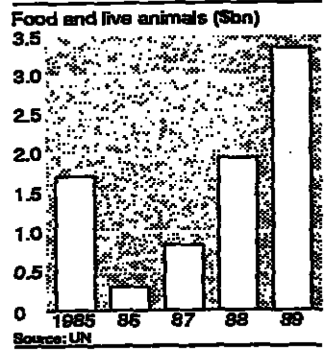
The powerful farm lobby is anxious for the sale to go ahead. Mr Ron Rivinius, president of the National Association of Wheat Growers, warned Mr Bush that, with recent cuts in farm subsidies, the health of the US wheat industry is more dependent than ever on strong exports.

The US Feed Grains Council says without new credit for feed grains, the Soviet livestock and poultry sectors will collapse, wiping away a key market for US producers.

Mr James Bovard, a policy analyst with the Cato Institute in Washington, pours scorn on the congressmen who press for new loan guarantees. They learned nothing, he said, from the $1bn they sent Iraq 10 months before the invasion of Kuwait. "If a customer does not pay cash, he's not a customer; he's a deadbeat."

US exports to USSR

Food and live animals ($bn)



Source: UN

To Mr Bovard, the guarantees are another example of short-term thinking by Congress. The credit drives up prices and makes US commodities more expensive for other customers' countries. "It gives $1 to American farmers for every $10 that goes to the Soviets," he said.

None of the countries which use US government credit guarantees to help feed its people is prosperous. The borrowers are supposed to offer good prospects for future commercial sales and a "reasonably" good potential for being able to service their loans.

Mr Steve McCoy, president of the North American Export Grain Association, insists: "The jury is still out on whether Moscow is incapable of repaying the credits. We can't discard their assertion that they will repay. They can prioritise; they can sell gold."

The Administration must make a decision soon if the Soviets are to have an opportunity to utilise the credits, Mr McCoy said. In July and August the distribution system is designed to move around domestic production.

Many options are under consideration. The Administration could try to link credit with reforms, doling out the financing every few months in smaller amounts as long as loans are being serviced. The financing could be backed by oil or gold, or the Agriculture Department could do a barter deal.

The Administration could draw on the under-used $500m per year intermediate term lending programme in smaller amount.

Mr McCoy believes the Administration is developing "a grand overarching scheme" to assist its former superpower rival. "We have to be mindful of longer term solutions. The alternative is to go from decision to decision. It means constructing a programme in which credits are but a part but not the whole."

US wheat exports to Brazil, Page 40

Dole seeks extension of Soviet food credits

By Nancy Dunne in Washington

THE SENATE yesterday debated a resolution introduced by Senator Robert Dole, the Republican leader, endorsing the extension of $1.5bn in new food credit guarantees for the Soviet Union to be paid in $500m traunches if certain tough conditions are met.

The resolution, although not binding, would provide some political cover for the Bush administration if it agrees to provide the credit.

"This is no blank check for Gorbachev or an endorsement of Soviet repression in the Baltics or inside the Soviet Union," Senator Dole insisted. "We have to be sure that the Soviets will use the agricultural credits to help the Soviet people – and not just subsidies the Soviet military, communist party and security apparatus."

The resolution called for making $500m in guarantees available immediately. Further installments would be conditioned on the appropriate use of the early guarantees and the Soviets meeting their repayment obligations.

Leading the opposition to the resolution was Senator Bill Bradley, a New Jersey Democrat. In a letter to President Bush, he asked that an agriculture advisory mission going to Moscow tomorrow study the extent of the shortages.

Export credit agencies 'must work more with banks'

By Peter Montagnon, World Trade Editor

EXPORT credit agencies must show greater flexibility and co-operate more closely with commercial banks if they are to help restore adequate flows of trade and project finance to developing countries, a leading banking "think-tank" warns today.

Trade flows between industrial and developing countries provide a powerful engine for growth in the world economy, but their financing has often become difficult following the debt problems of the 1980s, according to the Washington-based Institute of International Finance (IIF).

Ahead of a meeting at the Organisation for Economic Co-operation and Development (OECD) to discuss reforms to the rules on export credits, Mr Horst Schulmann, IIF managing director, has called for a joint working party between commercial banks and governments to be set up.

The purpose of the joint working party would be to explore ways in which the private sector can play an appropriate role.

Restoration of credits to debt-ridden developing countries requires not only improved domestic policies by the debtors, but also greater flexibility on the part of industrial-country bank supervisors over loan-loss provision requirements and improved risk-spreading between banks, credit agencies, exporters and private reinsurers, he says in a letter to Mr Jean-Claude Paye, OECD Secretary-General.

Specific recommendations by the Institute include:

- A willingness by export credit agencies to underwrite political transfer risk on projects in developing countries even where the banks are prepared to take commercial risk on to their own books.
- A reinsurance pool for export credit agencies to help spread their present concentrated risk more evenly and utilise unused cover capacity at individual agencies.
- Agreement that banks financing the 15 per cent down-payment on large projects be repaid early, for example after three years rather than the normal 8.5-10 years for export credit agency finance.
- Extension of the permitted maturities on export credits as the subsidised OECD Consensus rates are phased out.

Once these rates are no longer available, interest rates on export credits should be fixed at the time of disbursement rather than contract signing.

Export credit officials say it is unlikely the OECD will respond quickly to these detailed recommendations.

Its meeting this week is intended principally to seek an agreement on new ways of curbing tied-aid credits.

It will last into the weekend, and it is still touch-and-go whether the proposed package of reforms can be agreed.

It is generally acknowledged that export credit agencies have a potentially important role to play in financing new investment by developing countries as they recover from the debt crisis.

But like the commercial banks, most credit agencies suffered large losses as a result of the debt crisis and many are increasingly subject to financial discipline imposed by their controlling governments.

UK NEWS

Submarine leaks when torpedoes fired, MPs told

By Paul Abrahams

BRITAIN'S latest submarine is £40m over budget, more than three years late and leaks when the torpedoes are fired, a House of Commons defence committee was told yesterday.

"I would not wish to pretend it was a total success story," admitted Mr Brian Hawtin, Assistant Under Secretary (Material/Naval), with a stiff upper lip and considerable British understatement.

The committee was told that on its first voyage, HMS Upholder was forced to set sail with its torpedo tubes sealed.

Testing had revealed that the tubes could not be properly closed and water entered the ship as the torpedoes were fired from the submarine.

Upholder's trials also revealed substantial design problems with the propulsion system, the committee was told.

When changing from full speed ahead to astern, the engines stopped, bringing the submarine to a dead halt and it was then forced to surface in a controlled rescue.

HMS Upholder eventually returned to dock after only two weeks because of cooling problems in the engine.

The MoD denied that the submarine was incapable of fulfilling its role as a submarine killer, despite its disabilities. Meanwhile, the search for the guilty continued as recriminations abounded, each party blaming others.

The VSEL Consortium, which manufactured the boat, said the problems were caused by design faults and were the responsibility of the MoD.

MoD officials said the fault lay in the original design of the system by the Admiralty Research Establishment. The MoD also announced it was seeking damages of £6m from GEC-Marconi because of the problems.

GEC-Marconi said it had been asked to name an arbitrator to work out how much, if any, of the problem was caused by the company.

Officials said they were confident both problems could be overcome. However, defence cuts have meant that only four Upholder class submarines will ever be constructed. Officials may well be wishing that none had ever been built.

TV screen moguls come out blazing at high noon

FIERCE COMPETITION broke out yesterday for all but three of the UK's 16 commercial television licences as 40 bidders delivered their envelopes to the Independent Television Commission by the noon deadline.

Four of the big five ITV network production companies Thames, London Weekend, Yorkshire and Granada all faced serious bids for the 10 year licences that will run from January 1993.

Only Central, the second largest ITV company covering central England, escaped without a challenge and should now automatically inherit its franchise. For Central shareholders the big question now is how much Mr Leslie Hill, the chairman and chief executive, put in his bidding envelope. He could have bid a minimum of £1000 a year or a much more substantial sum if he feared a last minute bid.

The other ITV companies getting a clear run were Scottish which built a barrage of thistles around its franchise by hiring the top 20 independent producers in the region and tiny Border Television.

Virtually all the announced and rumoured bidders stuck to their scripts and have attacked their expected targets.

Carlton Communications is bidding against Thames Television and TVS Entertainment and CPV-TV, the David Frost and Richard Branson consortium is bidding for Thames, TVS and Anglia.

Tony Andrews

Bruce Gyngell, chairman of TV-AM, salutes his station's bid outside ITC headquarters

TVS, which ran into financial trouble because of its $320m purchase of MTM, the US production company, is the most threatened company with three serious bids against it - Meridian Television, the company backed by Lord Hollick's MAI, Select TV and Central with a 20 per cent stake.

Mr Rudolf Angew performed something of a Lazarus act yesterday. A few hours after the company's bid was delivered to the ITC the south of England broadcaster announced two significant new shareholders: Home Box Office, the subscription television subsidiary of Time Warner, the US media group and the Daily Mail and General Trust, publishers of the Daily Mail.

The two new shareholders and the company's existing French shareholders Canal Plus and Compagnie Generale des Eaux will together put up £30m in new funds if the company retains its franchise. An additional £30m facility has been negotiated for TVS which saw its net assets decline by £33.3m during 1990.

Money and long term financial stability is of vital importance in this franchise round because once applicants pass a quality threshold in most cases highest bids will win.

LWT is facing a serious bid from London Independent Broadcasting, a consortium of independent programme producers led by Polygram, the international record company owned by Philips.

At a press conference yesterday Mr Michael Kuhn, senior vice president of Polygram, did not appear too confident of his chances. Although LIB, he said, was certainly the strongest of the challengers, the odds against success were 80 per cent to 20 per cent.

"It's a fix," declared Mr Kuhn without really explaining why. One of the most bitter battles is taking place between former ITV colleagues – something permitted under the system of multiple bids.

In a latter day "Battle of the Roses" Yorkshire TV, together with Tyne Tees have put their muscle behind pulling down Granada Television, one of the founding pillars of the ITV system. They are backing a consortium that includes Trinity International, publishers of the Liverpool Echo and Daily Post, Mr Phil Redmond's Mersey Television and 3i, Britain's largest venture capital group.

Granada group seems to be fumbling many of their passes at the moment. On Friday it announced record borrowings and the departure of chief executive Mr Derek Lewis. Yesterday in an impromptu press conference, halfway up the ITC garage ramp, Mr Clive Leach, managing director of Yorkshire TV, said Granada had brought the bid on itself by going for Tyne Tees in a consortium with Border.

Yorkshire had taken a 20 per cent stake in Tyne Tees as part of a strategy to create a larger north east region, he said. This strategy was directly threatened by Granada. So after looking at other opportunities, Mr Leach decided to bid against the north west franchise holder.

Yorkshire itself faces two hostile bids from White Rose Television and Viking.

There are hotly contested regional battles all over the UK, from Grampian in the north of Scotland to opponents to the tiny Channel Islands franchise in the far south.

HTV, broadcasters to Wales and West is under threat from two bidders, Merlin and C3W.

Mr Harry Turner, chief executive of Television South West who turned up yesterday with a furry mascot, is also facing rivals Telewest and West Country Television.

Bidders were phlegmatic yesterday about the government's much criticised system of highest bids. As Mr Bruce Gyngell of TV-am said: "That's the rules of the game if you want to participate." But Lord Prior, a former Cabinet minister under Mrs Thatcher and chairman of Three East, the company challenging Anglia, was more critical.

He told reporters: "This morning was very exciting but this is not the best way to organise Independent Television in future."

Raymond Snoddy

COMMON EUROPEAN CURRENCY

London likely to support new ideas on monetary union

By Peter Marsh, Economics Staff

THE British government is preparing to back ideas from Germany and Spain on a new, common European currency for use in the next phase of economic and monetary union (Emu).

The move involves dropping the UK's present proposals for a hard Ecu currency, and marks a further softening in the British government's stance on Emu.

It paves the way towards the UK signing a treaty later this year committing itself to economic union – but without endorsing the final goal of a single currency or a European single bank.

The plan would demonstrate UK interest in listening to other countries' ideas on Emu. It would also involve some elements of the UK's original hard Ecu proposal, underscoring Britain's role in formulating an Emu compromise.

According to its proponents, the new currency would be used in conjunction with existing financial units, and would be acceptable to European business.

They dual-currency could act as a stepping stone to a single European currency that might emerge around the year 2000, its supporters claim.

Britain's new thinking applies to stage two of Emu, which some nations want to begin in 1994. Under proposals being sketched out in Whitehall, Britain would back ideas for a so-called "harder Ecu", which draw on technical work in monetary policy by Germany and Spain.

The harder Ecu would involve strengthening the existing basket Ecu – a notional financial unit based on the main European currencies, and which is used mainly in the international bond market and in intergovernment transfers.

Such a proposal would be more acceptable to other countries than the UK's hard Ecu – which involves a new currency separate from the basket Ecu.

The UK's original scheme, according to critics, would have led to confusion as financial markets tried to distinguish between the two different sorts of Ecu.

The value of the harder Ecu would be tied explicitly to the value of the D-Mark – at least while the German currency remains the strongest unit in the European Monetary System. Administration of the harder Ecu would be left either to a revamped version of the existing committee of EC central bankers, or to an embryo form of European central bank.

Britain's original proposal that the hard Ecu should be supervised by a European Monetary Fund has been quietly dropped, as have ideas that the hard Ecu could have an explicit role in damping inflationary pressures.

Rolls-Royce Motor Cars sheds 500 jobs in reorganisation

By John Griffiths

LUXURY car maker Rolls-Royce is to shed a further 500 jobs by scaling back sharply the activities of its Mulliner Park Ward assembly and finishing facility in north London.

The action, which will cost the Vickers subsidiary £10m, will increase total job losses at the manufacturer to 1,200 since the start of this year.

It will also end a coachbuilding craft tradition at the London site which has lasted for more than 50 years.

Rolls-Royce Motor Cars is suffering, along with other prestige vehicle makers, from a slump in luxury car sales affecting most world markets.

So far this year sale of Rolls-Royce and Bentley cars worldwide are down by about 50 per cent.

In the UK, the company sold 256 cars in the first four months of this year compared with 524 in the same period of 1990.

Following the reorganisation, about 100 employees will be left at Mulliner. Their job will be to build the basic body of the Corniche, which at around £150,000 is one of Rolls' most expensive models.

Currently, the Mulliner craftsmen assemble the bodies of the Corniche, which are then transferred to the main plant at Crewe, where some of its 3,400 employees fit mechanical components.

The rolling chassis are then returned to London for the fitting of the interior trim and other finishing work for which the Mulliner craftsmen have, over many decades, become famous.

In future, the complete assembly and finishing of the Corniche – of which some 300 are built each year – will be undertaken at Crewe.

Avoiding the double transfer between the two plants – some 200 miles apart – will account for much of the "considerable" cost savings which Rolls-Royce says it expects to make from the reorganisation in future years.

A company spokesman said that it will enable Rolls-Royce Motor Cars to be in the best position to take full advantage of improved trading conditions when business confidence returns. Most of the £10m costs of the reorganisation will arise from the 500 redundancies. The company's spokesman said yesterday that a precise timetable for the run-down of Mulliner had yet to be worked out and their "full consultations" were taking place with the work force.

Commenting on the job losses, Mr Gavin Laird, general secretary of the engineering union AEU, said: "This merely confirms that the recession is biting deep at all levels of society and across the country."

The company sold 3,333 cars world-wide last year, a three per cent increase on 1989.

Ulster Unionists agree to keep Irish talks alive

By **Ralph Atkins** in London and **Kieran Cooke** in Dublin

A FRAGILE compromise agreed yesterday by Unionist leaders at a meeting with Mr John Major has averted, at least temporarily, the collapse of talks on Northern Ireland's future.

Mr James Molyneaux and the Rev Ian Paisley, leaders of the two main Unionist parties which favour retaining links with London, bypassed an ultimatum set by Mr Peter Brooke, Northern Ireland secretary, with a heavily qualified acceptance of his proposals. These dealt with breaking the deadlock over a venue for talks with the Irish government.

Mr Brooke said he would be consulting the other participants in the planned "round-table" talks to see if the Unionists' position was acceptable.

Although the outcome of yesterday's meetings could provide a way forward, the gloomy and unco-operative atmosphere surrounding the talks has increased.

Mr Brooke said the Unionists' reply had been "a contingent response". On Tuesday he said that if agreement was not reached he would end the discussion process.

The prime minister warned of the consequences of talks collapsing but his role seems to have been more about symbolism for the Unionist leaders. Both Unionists made clear their belief that if talks did not proceed on Monday it would not be their fault. They said the first stage of talks – which would be on agreeing a devolved government in the province – could not be interfered with by Dublin.

On the second stage, which will involve the Irish government in talks on relations between north and south Ireland, the Unionists said they would agree to talks starting in London, moving to Northern Ireland, and ending in Dublin.

Their qualifications and reason for refusing to accept Mr Brooke's ultimatum were proposals for an independent chairman for the second stage. Mr Molyneaux and Mr Paisley said this had not been in the original terms.

Mr Brooke faces a difficult job in finding a suitable chairman. One possibility, mentioned by Mr Paisley, is Mr Jimmy Carter, former US president.

Tories learn to live with poor by-election results

Alison Smith looks at the background to an election which is a timely barometer of public opinion

As practice makes perfect, the UK's governing Conservative party is getting better at handling bad by-election results.

Unless the electors of Monmouth are playing a well-orchestrated practical joke on the opinion pollsters, the Tories will have a further opportunity to improve their technique tonight. Barring dramatic last-minute changes, it looks likely that Mr Huw Edwards, the opposition Labour party candidate, will be elected as the new MP for Monmouth.

A Labour victory in the by-election would still leave the prime minister, Mr John Major, with a large majority in the House of Commons, but would probably kill speculation of a snap general election this June.

If Labour wins the by-election, necessary because of the death of the Conservative incumbent, it will declare itself on course to win the next general election, which must be held by mid-1992.

Today's by-election carries much of its significance in its timing. In the first half of a parliament, the Conservatives would have expected to keep Monmouth – a largely rural district on the Welsh border – though perhaps with a reduced majority.

In 1987, at the last general election, the Tories found that the almost even split in votes against them – with Labour just ahead of the third party – enabled them to hold Monmouth more comfortably than some other seats where the total anti-Tory vote was lower.

This time round the by-election will be seen as an important barometer of opinion. Particularly important for Labour, in terms of its general election bid, is asserting its credentials as the challenger to the Tories in areas where it has no natural base.

Monmouth, where the main economic influences are farming and tourism, is not the type of seat Labour would normally expect to win, its support being traditionally in heavily industrialised areas.

Mr Roger Evans, the Tory candidate, said yesterday that Monmouth is "a most important by-election". Even in the event of defeat, Tory ministers are unlikely to attempt an implausible retreat from that statement.

Instead the Conservative party would probably admit that its message on public services such as health and education needs to be projected more effectively. It would be left to promise better political days ahead when the economic news improves.

Though the 9,500 Tory majority in Monmouth is some 7,000 below that of the safer seats of Eastbourne and Ribble Valley – where the Tories lost by-elections in the past few months – the prospect of defeat by Labour makes this week's vote at least as serious.

In its previous two by-election defeats the Conservatives lost to centrist Liberal Democrats, Britain's third party and one less likely to challenge the Tory majority in a general election.

For the Tories, the shift to Labour in a campaign dominated by the issue of the state-run National Health Service, is reminiscent of their loss in the Vale of Glamorgan by-election two years ago. What was then dismissed as "mid-term blues", is now a worrying sign that, whatever their spending record, they continue to lack conviction on the health service.

Mr Evans' vigorous defence of the right to choose private health care detracted from his daily assertions on the safety of the NHS in Tory hands. Even so, at the general election, there are likely to be many Tory candidates even less persuasive than he is.

The Conservatives were not alone in being out-campaigned by Labour: the Liberal Democrats were beaten at their own game. Labour set the agenda with a petition against the "opting out" of two constituency hospitals from local authority financial control and then encouraged traditionally non-Labour voters to cast their ballot for Mr Edwards. Labour's tactics were sophisticated and effective.

Between 1985 and 1987 the Tories survived in just one of the four by-election seats they defended. After today's vote in Monmouth, they may be forced to find what comfort they can in that statistic.

Mr Chris Patten, the Tory party chairman, has already spent time "pouring cold water" on the idea of a June election. It is still the Monmouth result, however, which is likely to confirm that this prospect has finally been abandoned.

Campaign trail: Tory party candidate, Roger Evans (right) backed by Norman Lamont, chancellor of the exchequer

BRITAIN IN BRIEF

UK jobless record condemned

Britain has the fastest growth in unemployment in the European Community, according to a Labour party analysis published ahead of today's official jobless figures.

Stepping up Labour's efforts to pin blame for the recession squarely on the government, Mr Henry McLeish, a Labour employment spokesman, said the UK had suffered the fastest rate of unemployment growth in the EC in the past year both for adults and for under 25-year-olds.

For those under 25 unemployment in the UK rose 24 per cent, while across the EC, it fell an average 1 per cent.

Mr McLeish said the UK was "increasingly out of line" with unemployment trends in other EC countries.

Tioxide to improve plants

Tioxide, the pigments manufacturer bought by ICI last December, is to invest £90m immediately to improve the environmental performance of its plants at Grimsby in England and Calais in France.

Tioxide also said it was drawing up plans to build new plants in Australia and North America, at a total cost of around £150m.

Jobs lost in engineering

More than 90,000 jobs have been lost in manufacturing industry so far this year, according to a new survey.

The AEU engineering union's survey of job loss announcements in manufacturing coincides with the government's release of the nationwide unemployment data for April. These are expected to reveal another steep rise in unemployment taking the total to about 2.2m after March's record rise of 113,000.

North escapes recession effects

The North and Scotland appear to have escaped the worst of the recession with Wales and the west Midlands the hardest hit, according to the latest Regional Trends Survey.

The survey, published by the Confederation of British Industry and Business Strategies, a regional and economic consultancy, shows a deepening recession over the past four months in all regions of the country.

The survey of 1,283 manufacturing companies, conducted between April 2 and April 17, says the west Midlands have the highest percentage of companies working below full capacity while manufacturing companies in the North and Scotland expect orders to rise.

Overseas aid for N-project

British Nuclear Fuels has received interest-free advances totalling over £1.3bn from overseas customers towards the cost of its new project for reprocessing spent nuclear fuel, nearing completion at Sellafield, north west England.

Mr Christopher Harding, BNF's chairman, told the House of Commons select committee on energy that two-thirds of capacity for its £1.85bn thermal oxide reprocessing plant (Thorp), construction of which started in 1983, would be taken by overseas customers.

He said 87 per cent of these had provided interest-free money towards the construction cost, in addition to accepting cost-plus contracts. Customers which had paid up front had benefited from discounts on reprocessing prices.

UK exports 'uncompetitive'

British exports were becoming "seriously uncompetitive" because of the high premium rates charged for the insurance of long term exports, the House of Lords was told.

Lord Taylor of Gryfe, who raised the issue in Parliament's second chamber, said the rates being charged under the Export Credits Guarantee Department cover were among the highest in the world. "How can British exporters continue to improve when their hands are tied behind their backs in this way?" he asked.

Castle Cement cuts jobs

Castle Cement, Britain's second largest cement producer, is to close its Pitstone works near Leighton Buzzard reducing the company's manufacturing capacity by more than a sixth.

About 300 jobs are to be lost adding to the rising ride of unemployment among construction and building materials companies.

It is the third closure of a cement works to be announced in the past nine months by a British manufacturer.

Motor industry deficit falls

The UK motor industry trade deficit fell sharply in the first quarter of the year with a 78 per cent fall to £323m from a deficit of £1.16bn in the first three months of 1990.

The industry's trade balance is improving rapidly under the impact of the recession, which has greatly reduced imports of new cars and commercial vehicles.

The motor industry trade deficit fell by 30 per cent last year to £4.58bn from the record £6.55bn deficit accumulated in 1989, and the improvement has accelerated in the first three months of 1991.

Passports deal

Harrison and Sons of High Wycombe, a subsidiary of Lonrho, has won an £18m contract to print passports for the Polish government.

Correction

The picture of a Gloster Whittle jet on Page 8 of the issue of Tuesday May 14 was taken at Bournemouth Airport and not at RAF Cranwell as stated in the caption.

BUSINESS LAW

UN sets the stage for Gulf war compensation claims

By Charles N Brower

THE United Nations Security Council resolution which created a fund out of Iraqi oil revenues to pay Gulf war reparations and a commission to administer it also directed the UN secretary-general to recommend how much total compensation should be required, when it should be paid and who should distribute it.

The secretary-general's report, which is expected to be approved by the Security Council, sets up a solid framework for the handling of claims, but says very little about when payment can be expected and virtually nothing about how much it should be.

The UN Compensation Commission is established as a "subsidiary organ" of the Security Council. It comprises a 15-member governing council as its policy-making "principal organ" and an indeterminate number of "commissioners" to assist it.

The membership of the council will always mirror that of the Security Council (which currently includes Cuba and Yemen) but there will be no veto. The governing council will act by a majority of nine, except that decisions "with regard to the method of ensuring that payments are made to the fund" must be made by consensus, failing which the matter can be referred to the Security Council.

The US had urged that the governing council be perpetually composed of the five permanent Security Council members, five states principally affected by the Gulf crisis and five others. That formula would have secured a seat for Kuwait, and possibly Saudi Arabia and Turkey.

On the other hand, the permanent members may now be expected to dominate this council as they have the Security Council itself. It is the governing council that will make the decisions on "how much" and "when" and that will issue "guidelines" regarding the claims procedure laid down.

In structuring the claims procedure the UN wisely declined to replicate the Iran-US Claims Tribunal. The secretary-general expressed justified concern that if "tens of thousands" of individual claims were filed directly with the commission "a decade" could be consumed in processing them and "inequalities" could occur to the disadvantage of "small claimants". Instead, each government will present to the commission a single claim on its own behalf and that of its nationals and corporations for determination by the commission.

In "exceptional circumstances involving very large and complex claims", however, a different procedure might be followed. Fund payments will then be made "exclusively" to governments for redistribution to their respective national claimants through domestic claims commissions.

It is in deciding these consolidated claims that the commissioners come into play. In panels of three they will "verify" and "evaluate" each government's request, "subject only to the approval of the governing council".

And who will these commissioners be? The secretary-general is to "establish a register of experts" from which he then will nominate commissioners for appointment by the governing council "for specific tasks and terms", having "due regard to the need for geographical representation, professional qualifications, experience and integrity".

It is expected that a core of full-time commissioners will be appointed and a stable of others kept ready for part-time or occasional service. Since the roster of commissioners may be called on to assist the governing council in tasks other than deciding governments' consolidated claims, it will also include "experts" in finance, accountancy, insurance and environmental damage assessment as well as jurists.

The governing council must now flesh out the claims procedure. The council clearly is urged to consider establishing *priorities within the consolidated claims* for small individual cases, for "loss of life or personal injury", and possibly also for environmental damage or "damage due to depletion of natural resources".

The council must also fix filing deadlines. The secretary-general has suggested that two years should be sufficient, once guidelines are adopted, for governments to collect all necessary information and to present their consolidated claims.

The council also must prescribe necessary requirements and define the powers of the commissioners to hold hearings and require evidence.

Three important jurisdictional points remain to be settled. First, the council must define what is a "direct loss" resulting from Iraq's "unlawful invasion and occupation of Kuwait" and therefore falling within the commission's jurisdiction as established by the ceasefire resolution.

Second, it must clarify and limit the potentially mischievous provision for review by a "board of commissioners", subject to "final decision" by the governing council, of allegations that any panel of commissioners has "made an error on a point of law and procedure" or "of fact".

Third, the UN claims procedure relates only to "liability under *international law*", and it therefore is "entirely possible, indeed probable", that some claimants will pursue parallel proceedings in national courts.

This is especially so given that between \$4bn and \$8bn of Iraqi assets frozen by the UN sanctions are not to be added to the fund but may nonetheless be applied to satisfy Gulf war liabilities of Iraq. The council therefore must straighten out the degree to which the commission's jurisdiction is non-exclusive and act to forestall double recoveries.

As a start to determining how much Iraq is to pay into the fund the secretary-general still must undertake consultations to "suggest the figure not to be exceeded by the Iraqi contribution" as required by the ceasefire resolution.

With the help of expert commissioners the council may then set the flow below that ceiling, however, and even vary it based on "periodic monitoring". Iraq has formally asked that its compensation obligation be deferred for five years. The stage thus seems set possibly to bargain for the removal of President Saddam Hussein from office. Under any circumstances it is clear that claims eventually approved by the commission "will at any given time exceed the resources of the fund".

It is impossible to say just when payment will be forthcoming. Assuming that governments are allowed two years to file their consolidated claims once guidelines are established, and that their claims are settled within a reasonable period, payment out of the fund is some years away.

Apart from predicted shortfall of the fund, the possibility that it may not be collected as rapidly as claims are decided has led the secretary-general to suggest that the council should establish "criteria for the allocation of" its receipts.

He especially noted that it might be "necessary to distinguish Kuwait" from others, presumably to give that nation a preference. In these circumstances what should individual claimants now do? Those with claims predating Iraq's invasion of Kuwait have no choice but to avail themselves of any existing non-UN remedies; they are excluded from the commission process.

Those with post-invasion grievances must also consider pursuing non-UN remedies to the extent their claims are not based on international law. They will also want to ascertain whether or not nationally frozen assets are to be applied towards satisfying their claims.

For governments the course is clear. They must proceed to implement internal processes *for assembling* the necessary information regarding claims of their nationals and corporations so that in due course they can present their consolidated claims to the commission and then justly distribute the proceeds.

The 21 governments that already have applied to the Security Council for relief under Article 50 of the UN Charter because "confronted with special economic problems arising from" the sanctions may merit special attention. The secretary-general has suggested the possibility of legal aid being granted to countries "of limited financial means" to assure adequate representation of their claims. In contrast to the Iran-US Claims Tribunal it seems the United Nations Compensation Commission will be a bonanza neither for lawyers nor for the commissioners.

For those who are involved, however, the surroundings are likely to be pleasant. Word has it that the commission will locate in Geneva, with an outside chance hearings will take place in The Hague.

The author is a partner in the international law firm of White & Case. He has served as a judge of the Iran-United States Claims Tribunal at The Hague since 1984.

MANAGEMENT: Marketing and Advertising

Fiat's bullish message for the Brazilian mass market

Victoria Griffith explains how the Uno Mille bucked the trend

In July of last year, Fiat of Brazil shocked consumers and manufacturers alike with a revolutionary idea; it was going down-market.

The car group's new model, the Uno Mille, bucked a trend the Brazilian automobile industry had been following for a decade – a move to higher-powered, petrol-guzzling engines, and fatter price tags.

The Uno Mille, which arrived in the showrooms last September, screamed of good sense. The car was to be the cheapest on the market, easy on petrol, and with enough room for the whole family.

"There was a lot of scepticism when we first announced the launch of the Uno Mille," says Antonio Rubens Ribeiro, a spokesman for Fiat do Brasil. "Consumers just didn't think it would be possible to produce a model that was everything we said it was. But they soon changed their minds."

The ace up Fiat's sleeve was a new tax law, passed by the Brazilian government in June 1990, the month before Fiat launched its new car. This reduced the tax on cars with engines under 1,000 cc and 100 horsepower from a minimum 37 per cent to just 20 per cent. The change in the law gave the Uno Mille a clear advantage as it was the only car in Brazil to fit the small engine category.

"One thing I've tried to explain to the government," says Silvano Valentino, president of Fiat Brazil, "is that cars cannot act as a motor of growth or distributor of wealth. By putting such high taxes on vehicles, that's what the government tried to turn them into."

The special tax treatment allowed Fiat to bring the new model onto the market at a price well under that of the competition. The new model, an adaptation of the "Uno", started selling at $8,779. The next cheapest petrol-run car on the market at the time was General Motors' Chevette SL with a price tag 10 per cent fatter than that of the Mille.

By March, the Mille was the best selling car in the country. The model stole first place from Ford's Gol, which had occupied the top position for almost four years. The extra sales were enough to move Fiat into third place in national car sales, edging out Ford and shaking up market shares which had remained unchanged for years.

With hindsight, it is easy to see that Brazil was crying out for a down-market model. Between 1980 and 1990, the average real wage of middle-class Brazilians has fallen by 27 per cent. But over the same period, cars were growing increasingly more expensive. In 1980, a car cost, on average, 53 times the monthly minimum wage. Ten years later, the price had nearly tripled in real terms to 153 times the minimum wage.

Yet during the 1980s, car manufacturers had put their emphasis on luxury cars with high-power engines. Some 86 per cent of Brazilian cars produced in 1990 had engines over 1,500 cc. This upmarket trend took its toll on Brazilian car-owners. While the nation's population increased by 43m between 1980 and 1990, there was no growth in the number of cars produced.

With high inflation eating away at real wages, it seems clear enough that Brazil needed a low cost car. But why did Fiat think of the idea first? "Companies defending a market position usually take less initiative," Valentino suggests. "As we were trying to win market share, we could afford to be more dramatic."

The launch of the Mille was also Fiat's attempt to come to terms with a factor which has long plagued Brazilian industry – the lack of a large number of consumers with any significant spending power. Fiat's strategy was to win market share, not just from its showroom competitors, but also from the used car market. Over the last decade, buying a new car had become a distant dream for many Brazilians. Launched under the slogan "Made for you!", the Uno Mille was intended to reach a segment of the market which had long been ignored: the lower middle class.

But for Fiat, simply offering a low price was not enough. The group conducted lengthy research to find out what it is Brazilians look for in a vehicle. The researchers discovered two things about the way Brazilians use cars: first, that cars are driven by the entire family. The car that takes Dad to work, for instance, is often the same car that Mother drives to the supermarket, or that the kids use to go to the movies. Although this phenomenon occurs to a certain extent in other countries, it is much more pronounced in Brazil where very large families may rely on just one vehicle.

Uno Mille: the only small car in Brazil eligible for a lower tax rate

Second, Brazilians use automobiles not only as a means of commuting to workbut also as a work tool. Because of the country's large size and poor public transport, cars shuttle executives between business meetings. As very few are offered company cars, personal vehicles are expected to serve a dual purpose.

The agency MPM Propaganda took all of this into consideration when developing an advertising campaign for the Mille. The first commercial showed a man in a suit – implying that this is a car for work. The commercial also featured loads of children squeezing happily into the Mille, to demonstrate that the car has lots of room for the whole family. A shot of the Mille confronting a very large bull put across the message that the car was made to last. Finally, disappointment on the face of a petrol station worker illustrated the car's economical advantage.

The latest ad campaign for the Mille tries to fill in the marketing holes not addressed in the first round. The theme is "getting to know Brazil", and shows the Mille zipping around the countryside – an attempt to counter consumers' perception that the Mille is not a good traveller.

The campaign also hopes to add a bit of glamour to the model's image. It features a well-known actress, Carolina Ferraz, who treats the car as if it were her best friend. Together, Carolina and "Mille", as she affectionately calls her automobile, discover historic towns all over the country. The makers of the commercial hope it will give Brazilians the idea that the Mille is fashionable as well as practical. It may also give them the idea that the Mille is not only the cheapest, but also the luckiest car on the market.

The Hungarian consumer

More choice but higher prices

Philip Rawstorne on economic pessimism

Most Hungarians feel life today is harder than it was under communism 20 years ago; and they are more fearful of the future.

The traumas of transition to a market economy are revealed in a detailed study of Hungarian consumers by Young & Rubicam Europe, the US-owned advertising agency.

Economic pessimism far outweighs political optimism among those surveyed. Fifty-six per cent say they are worse off than they were in 1970; only 23 per cent believe there has been any improvement.

The freer political climate is welcomed but it is suffused with concern about social problems and job security. Those who believe their standard of living and quality of life have deteriorated substantially outnumber those who claim to be better off.

For every consumer who points to the bigger range of goods in the country's shops as evidence of improvement, three cite higher prices as a sign of worsening conditions.

Two per cent enthuse about the advent of a new economic system; a similar proportion gloomily concludes that everything is going down the drain.

Fear of change apparently pervades all but the more energetic young and better educated groups who feel they have most to gain from it. Nearly six out of 10 face the future with fear.

Analysing Hungarian consumers by the 4Cs system – cross-cultural consumer characterisations – the Young & Rubicam survey focuses on the fundamental needs and beliefs that guide their lives.

It segments consumers according to six basic values which motivate them – survival, security, belonging, esteem of others, self-esteem, and self-realisation.

Compared with other European countries, Hungary has an above average proportion of people whose primary concern is survival. These "resigned or struggling poor" make up 26 per cent of the population.

Incomes are low – an average 8,400 forints (£635) a month – and evenly distributed. They are the subject of a great deal of dissatisfaction. A majority of all adults have more than one job.

Only four out of 10 people overall think they can save any money. Among the poorer, any savings are generally earmarked for old age, the proverbial rainy day, or to pay debts.

Among the more successful and innovative groups, saving is more likely to be aimed at buying household equipment, furnishings, clothes, or paying for holidays. Expensive purchases are planned well in advance.

Ownership of many durable items is still fairly low but the desire for them is strong, particularly among the groups most likely to benefit from the new economic order.

Over 90 per cent of households have a refrigerator and washing machine; over 80 per cent own a vacuum cleaner; seven out of 10 have a spin dryer.

Watching television is the most popular leisure activity but black and white TV sets, found in 62 per cent of households, are still more prevalent than colour sets.

Only two out of 10 households have a telephone, tape recorder or video-recorder. Even fewer possess hi-fi stereos. Compact disc players, personal computers and microwave ovens are found in six per cent of homes. Dish washers and tumble dryers are very rare items.

Consumer electronics are at the top of most people's want lists. Around a fifth of households expect to buy their first colour television, telephone, freezer or video-recorder in the next two or three years. But fewer than four in 10 aspire to imported quality brands.

The survey suggests that companies entering the market will find many opportunities for targeting potential customers among the groups most interested in electronics.

Listening to the radio and reading newspapers come close behind watching television as leisure pursuits.

A future of environmental materialism

What sort of society will British children of today live in as adults? Will it be a nightmarish world where industrialisation has run riot? Or will they live in a "golden green" society where science has been harnessed to solve environmental problems?

These are the questions addressed by the Henley Centre for Forecasting in Young Eyes: Children's Vision of the Future Environment, a study commissioned by BT, the UK telecommunications group.

One thing is for sure, by the year 2025 when today's children are in their 40s, there will be more people living in Britain. The population will have increased by 6 per cent and the age of the average Briton will be higher. One in four will be over 60 years old. One in five will be between 45 and 59.

Even so the typical family will look roughly the same. There will still be two children in an average family unit. The divorce rate will be higher, but most children will still grow up with their natural parents. But families will expand because of the rising divorce rate; with higher life expectancy many more people will live to see their great-grandchildren.

The families of the future will be more likely to live in rural than urban communities. Henley suspects that by the year 2025, the only people left living in cities will be the very rich and the very poor.

The girls of the early 1990s will lead their adult lives in a society where the difference between the sexes is less rigidly defined than it is today. Women will represent half of the workforce, compared with 45 per cent today. Men will share responsibility for household chores. However, Henley predicts that both men and women will benefit from the availability of robots to do routine jobs like basic cookery.

The sexes may have become more equal, but social differences will have widened. Henley predicts a polarisation of the workforce. At one end of the spectrum there will be an elite of highly skilled workers, who will be so valuable to their employers that they will be able to demand higher wages and more flexible working practices.

But at the other end will be a sizeable underclass of unskilled workers. These workers will have to accept low wages, poor conditions and, probably, periods of unemployment.

Working patterns will have changed dramatically by the 2020s. Flexible working – whereby some people work from home and others work sporadically – will be the norm and the concept of the "typical employee" will have become redundant.

As a result people will have more leisure time and the old taboos about enjoying time away from work will have disappeared. Henley suggests that when people are asked "What do you do?", they may mention their "collection of 1990s antiques" or "secondment to an environmental monitoring body" before their work.

Henley predicts that some companies, particularly those concerned with high technology, will completely change their product portfolios on a regular basis. This means that companies will increasingly be defined not by what they make, but by whom they employ.

The overweening issue when considering what the world will be like in the year 2025 is the fate of the environment which, Henley's research suggests, is a dominant concern for the children of today.

Will they grow up into an environmentally pure paradise or into an industrialised nightmare? Or will they, as Henley suspects, lead their adult lives in a society which is somewhere between the two? – where people still lead materialistic lives and the environment is in poorer shape but not verging on crisis.

Young Eyes: Children's Vision of the Future Environment. Henley Centre for Forecasting, 2-4 Tudor Street, London EC4Y 0AA. £50.

Alice Rawsthorn

TECHNOLOGY

Hot idea for meals on wheels

Inmates of Cook County jail in Chicago will be getting hotter meals soon thanks to a new screen-based product claimed to be the best in the world for simulating materials handling in three dimensions.

When AutoSimulations, the small, Utah-based producer of the system, received the contract, the prisoners and the food vans became moving symbols on a 3-D plan of the cell block and its underground food delivery system. The aim was to get the food to the prisoners quicker, keeping in mind the constraints on certain prisoners mixing.

In the UK, prisoners may still have to make do with cold porridge, but Frazer-Nash Technology, the Leatherhead-based company selling AutoMod II in Britain, believes the product has wide applications in manufacturing and beyond.

AutoMod II enables a manufacturer to build an entire factory in 3-D, then put the moving parts in such as fork-lifts, cranes, pick-and-place robots and people – and watch what happens.

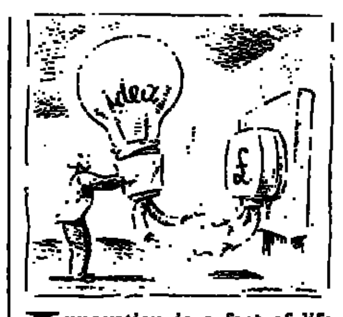
The aim is to spot bottlenecks in the handling process, or collisions between moving elements and static parts of the factory. Unlike other 3-D systems, AutoMod II can put multiple cranes on to the same aisle of a warehouse, a feature that could be attractive to food manufacturers that need to shift products fast.

Mike Beer of Frazer-Nash says the savings could be enormous for a company planning a new facility or wishing to examine the materials handling implications of introducing a new machine into an existing plant. Conversely, a simulation costing £20,000 to £30,000 might show that a new facility would not produce the efficiencies claimed for it.

The system was launched in 1988 in the US, but AutoSimulations waited until last year to arrange overseas sales because of teething problems.

The system can be applied to most situations involving discrete movement. "The M25 might have benefited from being simulated on Automod II," comments Beer.

Andrew Baxter



Alan Cane continues a series on innovation in the recession by explaining why the UK computer industry cannot afford to cut back on R&D

A race that does not lose pace

Innovation is a fact of life in the information technology sector. Development cycles shorten inexorably, driven by endless advances in microelectronic technology. The product cycle of a personal computer is now less than a year; a new machine has to be brought to market in less than six months.

Amstrad of the UK, one of the two UK innovators in laptops and notebook machines, introduced at the Hanover computer fair this year a laptop computer featuring a high-definition colour screen based on a novel liquid crystal technology. These screens have only been available from suppliers in Japan for the past 12 months or so. They are difficult to fabricate and the yield of perfect screens is only a few per cent. They are accordingly very expensive.

The Amstrad colour portable, which will not be available until the autumn, represents a considerable departure from the company's usual product strategy. Innovation for Amstrad has traditionally meant finding new ways of manufacturing standard products at lower cost than the competition. Technological innovation has not, until now, been a strong suit.

But Alan Sugar, Amstrad chairman, believes that small, portable machines represent the future of personal computing. The company's first portable computer has been well received – according to the latest UK figures from the market research consultancy Romtec – and is edging ahead of Compaq of the US and Toshiba of Japan in this sector.

Malcolm Miller, Amstrad's marketing director, underlines the extent of the change: "To take market leadership in the sophisticated, high-price and high-quality laptop market two or three years ago would have been unthinkable."

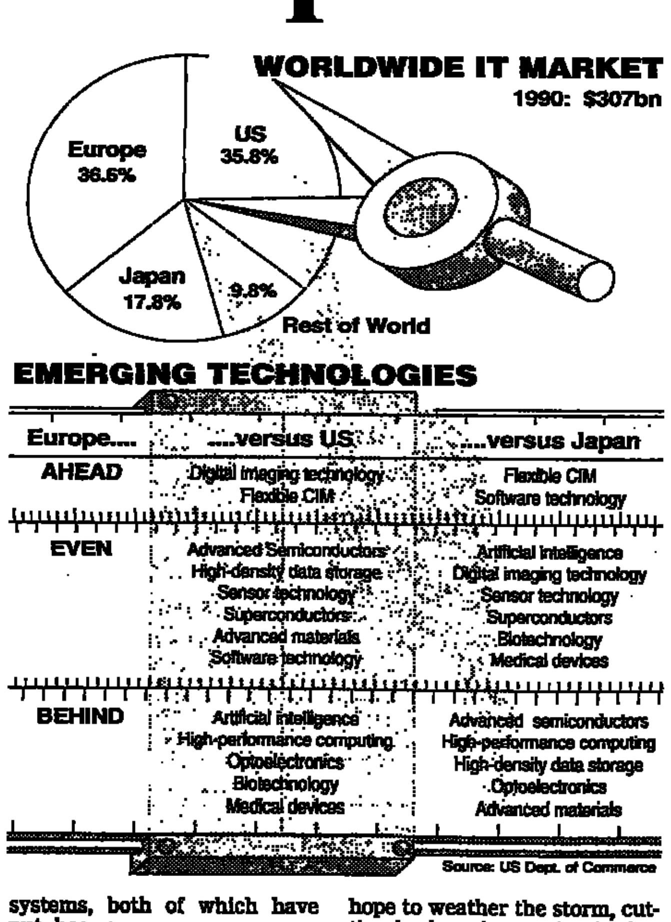
Amstrad's laptops represent the company's belief that IT companies which fail to innovate lose competitive edge, market share and, eventually, their hold on the business. Amstrad's innovation is not limited to computers; in the past year while the recession has been deepening it has made good its promise to launch at least one new product a month including games machines, videorecorders and satellite systems.

The first imperative for companies faced with continued innovation in the teeth of the recession is to maintain spending on research and development. For most, that means investing at least 10 per cent of sales. Some – the high-performance personal computer supplier Compaq is an example – have managed with much less, but their innovation has traditionally been directed towards improving the quality and effectiveness of established designs, rather than pioneering new computer architectures.

Richard Livesey-Haworth, managing director, product operations for ICL, the UK-based computer manufacturer now owned by Fujitsu of Japan, points out that despite the recession in the UK, ICL's entire product range has been overhauled over the past two years, from mainframes to personal computers.

ICL's approach has been to multiply its research efforts by exploiting its strategic partnerships with other companies; its technology agreements with Fujitsu, for example, give it access to the Japanese company's semiconductor technology when it is tried and tested but before other companies haul back Fujitsu's lead. The result, as Bonfield is fond of pointing out, is that one plus one can equal three.

Partnerships of the kind pioneered by ICL and Fujitsu are now commonplace across the worldwide computer industry. The industry itself is going through the largest structural change it has known in 30 years. The principal causes are the availability of ever more powerful technology at ever declining prices and moves among customers to "open" systems, both of which have put heavy pressure on manufacturers' gross margins.



In addition, there are clear signs that the worldwide computer market is beginning to mature – put less diplomatically, customers are beginning to suffer indigestion from a surfeit of IT. The confluence of these factors is behind the crisis. Livesey-Haworth points out that a manufacturer can live with high margins and low growth or low margins and high growth but not low margins and low growth.

Against such a background, the worldwide recession is simply one more cross IT suppliers have to bear; for those that hope to weather the storm, cutting back on innovation is simply out of the question. Groupe Bull of France, which has suffered from the disjunction in the industry perhaps more than any other major manufacturer, is stepping up research and development both in proprietary and open systems.

Philip Crawford, director of Bull's systems group in the UK, argues that it is vital to invest in R&D while in recession to enable a company to differentiate its products from its competitors. Bull is investing heavily in systems for the health service, for local government and for the police.

David Potter, chairman of Psion, the UK-based company best known for its "Organiser" electronic notebook, argues that research and development has to be a long-term strategy measured in years rather than months or quarters. He is investing about 9 per cent of sales: "During a recession it is the last thing to be cut back. It reduces profits and costs money but it is not something that can be skimped."

The effect of the recession, he says, has been to slow down the introduction of new products rather than retard innovation. This year, for example, the company announced a new hand-held computer family intended for volume sales to corporate customers. Work on the design of the machine, which is intended to bring computer power cheaply to activities such as stock control and point of sale, began four years ago; tooling for manufacture began two years ago.

Later this year, the company intends to launch a new range of systems, but is giving away no details. Potter says: "No part of the planning for these products took part in the timescale of this recession. It has a salutary, effect, nevertheless. It encourages management to have a cautious, protective outlook." Hardware is only half the IT story, however. Profits for UK computing services companies are down 14.25 per cent this year despite revenue growth of 14.4 per cent. Most blamed the recession.

The best performers included Micro Focus, Capita and Admiral. Clay Brendish, chairman of Admiral, emphasised the importance of squeezing more innovation out of established products when funds were tight. Admiral, for example, is developing further its radar trainer for air traffic controllers with the aim of selling to customers overseas.

Customers can play an important part in the innovation process. Comshare, for example, a large software house specialising in executive information systems would have liked to link its display technology to IBM's new technology database DB2. It thought it was impossible. But, according to Comshare's UK managing director Ian McNaught-Davis, a German customer thought otherwise. It cracked the conceptual problem, after which Comshare found it easy to finish the development of the product.

The final article in the series, to appear next week, will focus on how the recession is affecting small business R&D.

Power failure in energy efficiency

By John Hunt

The UK government's white paper on the environment, published last September, emphasises that energy conservation is the cheapest and fastest way of tackling global warming, reducing acid rain and bringing economic benefits to industrial and domestic power users.

In a speech last month to the Lighting Industry Federation, John Wakeham, energy secretary, said that opportunities exist for British industry to catch the tide of environmental concern by promoting energy efficiency goods and services.

But these exhortations come at a time when energy conservation industries – insulation, double glazing and heating control systems – are suffering as a result of the recession.

"The market for energy conservation goods and materials is being decimated," says Andrew Warren, director of the Association for the Conservation of Energy (Ace). "It is not even standing still. It is going backwards."

Figures compiled by Ace show the UK market for energy conservation dropped by 28 per cent over the past two years. Cavity wall insulation was down 49 per cent, double glazing 34 per cent and boilers and radiators 25 per cent.

Energy conservation industries complain that the government has reduced financial support and promotion over recent years. They compare the present situation with the days when Peter Walker, energy secretary from 1983 to 1987, ran a campaign to promote energy conservation and declared 1986 Energy Efficiency Year.

In 1986-87 spending by the Energy Efficiency Office at the Department of Energy amounted to £26m – including £7m on promotion and publicity. Last year the budget dropped to £15m. This year, however, it is £42m and next year should reach £47.5m.

Nevertheless, Ace argues that these latest figures are misleadingly high because they include funding for a home energy efficiency scheme which the Department of Energy has taken over from the Department of Employment. The scheme, which costs £27m this year and £30m next, provides grants to low-income households for home insulation. When this sum is taken out the figures for promotion of energy saving remain almost static.

The government used to provide half the cost of conducting energy efficiency surveys of industrial premises through the industrial energy survey scheme. This was scrapped even though the National Audit Office estimated that it resulted in £30 worth of energy saving for every pound spent.

However, the Department of Energy is now working on a new scheme to replace it. This is still on the drawing board but could provide financial assistance to managements which are reluctant to spend money to improve energy use.

There is also criticism of the way energy conservation is taxed. All forms of energy saving materials and equipment are subject to VAT but domestic and some commercial use of gas and electricity is not.

Alan Onslow, spokesman for the National Cavity Insulation Association, says that the market in cavity wall insulation for existing homes has halved since 1987. But the cavity market for local authority and housing association dwellings and for new buildings has shown a little growth. Over the past three years draft proofing has declined 50 per cent while loft insulation has dropped 20 per cent over four years.

Although high interest rates and the recession have played a part Onslow maintains the contraction of the market started when the Energy Efficiency Office tailed off its press and television advertising campaigns for energy efficiency.

There is a need to encourage a buoyant domestic market for energy conservation technology and materials so that industry can compete in the growing export markets for these goods. But environmentalists complain that the UK lags behind competitors like Germany and Japan.

Next year a world climate convention to combat global warming is likely to be drawn up at the Environment and Development Conference in Rio de Janeiro. This could lead to a steep increase in demand for energy efficiency measures to reduce carbon dioxide.

Translations

BIRMINGHAM REP

As Peter Brooke's Ulster talks continued deadlocked at Stormont, Brian Friel's *Translations* opened at the Birmingham Rep. The Ulster delegates should take time out to see this play, for it charts a story of tightening British power in Ireland following the Act of Union. The play's issues are clear: what happens when one culture imposes itself on another? And how do individuals communicate when they *do* not share a common language?

The imposition takes the form of the British military cartographers who swarm over the Irish landscape to survey, standardise and rename it. The indigenous Irish speak not only the vernacular, but serviceable Latin and Greek. For them, speaking English becomes a political statement, an opinion about the future. But the leaden-tongued British speak only English. A translator is required to mediate between the cultures.

The result is a political commentary and a linguistic orgy. The surveyors have the power to create ("We name a thing and it leaps into existence"), and the locals to dissent, for words are "signals, counters." Friel territory is the place where language games are serious. The British enterprise faces an Irish culture in decline, and has to calculate the cost of standardisation; it all depends whether one thinks language evolves by changing or by resisting change.

The personal issue takes shape when George Yolland (Stefan Escreet), a British toponomist, turns native; he falls for the language and for neighbourhood beauty Maire (Siobhan Stanley). Neither speaks the other's tongue. The best scene in the play shows their mutual seduction by force of words which neither understands.

Friel's outlines are strong, but take a beating from a weak cast. Their interchange lacks intensity and sparkle, although Shay Gorman plays Jimmy Jack well as an appealing old man sailing back to Byzantium on a raft of Latin and Greek quotation. Christopher Campbell as Owen "translates" adroitly, and makes himself interesting enough for us to care about his Republican stirrings at the end.

But the actors were hampered by a disappointing set. It puts an 1830s bothie and a giant theodolite in dizzy proximity, and leaves half the stage untenanted; but then perhaps that makes the thematic point about the Irish being pushed to the side of their own lives by the British. The electric-vernacular music also pushed the acting out of kilter; it was inapposite. Tim Mitchell's lighting made the awkward design look plausible, and moved from emerald green to livid red in the strange peroration spoken by Hugh, the old schoolmaster.

However, it is hard to damage such a strong play. *Translations* has been current now for ten years. Friel can make the slightest action into a cultural statement. The problems *Translations* tackles on a personal and political level are still pressing. Questions of naming stubbornly persisted in this week's news that the Irish government wishes the Ulster talks to take place on the "island of Ireland"; does it mean Eire?

Andrew St George

West Coast answer to Annie Hall

L.A. STORY
Mick Jackson

THESE FOOLISH THINGS
Bertrand Tavernier

ROBIN HOOD
John Irvin

OVER HER DEAD BODY
Maurice Phillips

As one who was touched for life by his first visit to Los Angeles, I loved *L.A. Story*. Steve Martin's romantic comedy, which he scripted *and* stars in, is a West Coast counter-punch to *Annie Hall*. What Woody Allen's film did for New York – chart a love story between two people that was also a love affair with a town – Martin does for the city of the angels.

For Art Deco high-rises read Hispanic ribbon development. For jokes about pseudo-intellectualism, read jokes about health food. For heroine Diane Keaton read Victoria Tennant, Martin's real-life wife, here playing an English magazine reporter adrift in Lotusland. And for Allen's bug-eyed hero, stressed out on traffic and high-octane table talk, read Martin's sun-touched TV weather forecaster who wants a new job and a new romance.

There is something extraterrestrial about Steve Martin's persona. No other earthling has hair that silver, eyebrows that dark or features so wreathed in an enamelled, impenetrable smirk. But it is suavity edged with hysteria. The joke in Martin's image is that Prince Charming looks go together with a personality studded with panic buttons. The layers are as complicated as a mille-feuille. In *L.A. Story* Martin's wacky-for-a-living weatherman is the mask worn by a wry, languid Angelino; and the wry, languid Angelino is a mask worn by a romance-seeking worrier who quotes Shakespeare, falls in love and has conversations with a freeway sign.

"Hug me" says this last, a giant board of winking lights, as night after night they rendezvous by the roadside. By day, Martin trips after Miss Tennant, gets entangled in a rival romance with balletic "spokesmodel" Sarah Jessica Parker and traverses the diurnal idiocies of L.A. life. These champagne moments are served with sparkle by British director Mick Jackson. Relish the serenity with which half-a-dozen restaurant lunchers continue eating, drinking and talking through an earthquake. Or admire the friendly mugger who relieves Martin of the dollars he has just withdrawn from a cashpoint: "Hi, I'm Mike, I'll be your robber."

Martin has recorded something deep and indelible about L.A. Although the place is a wrecked Paradise just like John of Gaunt's England in *Richard II*, the vandalisms visited on the city are half its charm. How cloying this earthly Heaven would be without its smog or earth tremors; or indeed its keep-smiling citizens who try to put showbiz into everything from weather-reporting to wallet-relieving.

★

The earthly Heaven in Bertrand Tavernier's *These Foolish Things* is patrolled by different serpents. They rustle forth from a family's past. In a handsome villa overlooking a Cote d'Azur bay Dirk Bogarde, Jane Birkin and Odette Laure play the bi-lingual Franglais family enjoying a long day's journey *vers la nuit*. Bogarde is a dying Englishman. Laure is his Catholic French wife, rueful, despotic and stubbornly Francophone. And Birkin plays the go-between daughter, soothing a Mum addicted to silence and Coca-Cola while stoking Dad's regenerative memories of happier times.

The film is so simple that it could pass for inconsequential. It did to the jury at last year's Cannes Film Festival, who sent it home prizeless. But the questions and conflicts Tavernier wrote large in his last film, *Life And Nothing But*, are written small and exquisite here. Quotidian anxieties and deeper fears both seek an elusive quietus. Troubled Birkin rocks herself into a numbed emotional peace on a midnight beach; dicky-hearted Bogarde fusses over what handkerchief to wear with what jacket on leaving hospital. But the same cosmic interrogative spans all. What can human beings do about the past? Does the world turn more freely by ignoring that past or by embracing and resolving its traumas and tragedies? Here the landscape of the face replaces the landscape of the battlefield. From Bogarde's prim, quizzical phiz lined with old laughters to Laure's dormant-volcano looks to Birkin's toothy volatility of feature, as ragged and capricious as the weather. Based on memories of her own family by screenwriter Colo Tavernier, the director's ex-wife, *These Foolish Things* combines the smarting immediacy of autobiography with the wry sweep of a human comedy.

★

Entries are now being accepted for the year of competing Robin Hoods. With Kevin Costner's all-colour Hollywood romp due shortly, how thoughtful of Britain to offer a sombre-hued Socialist Realist version in which Robin, played by burning-eyed Patrick Bergin, defies the tax-extorting Normans (Jeroen Krabbe and Jurgen Prochnow – Ssss!) and England is a land of mud and proletarian struggle. This Robin is a fallen nobleman with radical leanings, just like Tony Benn. And his Marian (Uma Thurman) is clearly dying to get into a book of Great Early Feminists. A plucky young gel, she defies an arranged marriage to Mr Prochnow and takes cross-dressed and confident to the forest.

The screenplay was co-written by playwright John McGrath, who presumably added all the down-with-the-toffs touches to Sam Resnick's original script. In this England a poacher is defended by Robin as "a useful member of the community"; the phrase "local taxation" has the same catalysing effect on the peasantry as it has in our age; and we end up with the rosy dawn of a Norman-Saxon entente and the message that "We all live together on this island."

Director John Irvin (*Dogs Of War*, *Hamburger Hill*) extracts happy bravado from the action scenes, with Mr Bergin swinging merrily between minstrel's galleries in the statutory chandelier-and-heroine-snatching event. And Jason Lehel's photography prettily mixes high-contrast tones with desaturated colours. We only wish the film's PPB dimension had been less evident. Legends can lend themselves to changing times without being forcibly hijacked by them.

★

Over Her Dead Body belongs to that connoisseur genre, the corpse-disposal comedy. What would you do if, like heroine Elizabeth Perkins, you accidentally killed your sister after she discovered you *in flagrante* with her husband? You would, according to director and co-writer Maurice Phillips, motor around the Midwest trying to drown, bury or otherwise recycle the evidence. There is spitfire acting from Perkins and much laughter early on. But returns diminish, and 90 minutes is a long time in which to watch a small plot being put through an astronomical number of permutations.

Nigel Andrews

Sarah Jessica Parker and Steve Martin in 'L.A. Story'

The Music of Andrew Lloyd Webber

PRINCE EDWARD

Avoiding like the plague the ridiculous obsession with the status of Andrew Lloyd Webber as a global composer – third division stuff but more hummable than Tippett – when judged as entertainment *The Music of Andrew Lloyd Webber*, available at the Prince Edward for a limited period only, offers a safe night out.

If you are bewitched by the vocal and physical charms of Sarah Brightman it is very paradise. Mr Lloyd Webber is only present through his music but his ex-wife is scarcely off the stage, emoting like mad through a baker's dozen of Andrew's songs, from the knockabout fun of *Joseph* to the serious business of *Phantom*.

When not belting them out in that shrill, insistent, but not totally tuneless voice, she is changing her dresses to good effect. Sarah Brightman gives the impression of only existing on the stage which has been her world since the age of 13. As a result her acquaintance with reality is fleeting and there is much pleasure to be gathered from her cameos of anyone other than Sarah Brightman – the ageing secretary in the under-rated *Tell me on a Sunday* or the virginal saint on *Requiem*. For Miss Brightman acting consists of opening those magnificent doe eyes ever wider.

At least the show is not a rip-off. It is directed with commendable precision by the *maestro* himself, and there is a large, enthusiastic orchestra and ten back-up singers who simper "Look at me" as effectively as the star. His songs beautifully mirror the superficiality of the age and Sarah Brightman is the supreme exponent of them. Her soap opera life undoubtedly adds a tingle as she manages to inject a stiff upper lip joke about her ex and his new wife into the act. And you can almost feel the "eat your heart out Elaine Paige" expression on her face as she floats on, all white dress and pulled back hair, as Evita. Miss Brightman, as the programme insistently calls her, is now living in California. It is a marriage made in Heaven.

Antony Thorncroft

Alastair Muir

Edward Fox in 'The Philanthropist', which opened at Wyndhams Theatre last night and will be reviewed in tomorrow's paper

Rivka Golani

WIGMORE HALL

The sound of the viola when Rivka Golani plays it is peculiarly arresting: at once musky and tangy, with a particular "speaking" quality in mid-range. This individuality of timbre is focussed by fervent bow-attack and decisive rhythmic thrust, both of which virtues do much to contradict the familiar impression of the instrument as predominantly a vehicle for mild, veiled or gently plangent thoughts and feelings.

In the Wigmore on Tuesday, Miss Golani's playing was heard to maximum advantage; the acoustics of this beloved hall always lend a special glow to string instruments, and so the innate fire of hers was communicated with increased potency.

Miss Golani is also an adventurous musician, a muse to living composers and an explorer off the main paths of the repertory. It could be argued that the majority of viola players who aim to give recitals will be forced to be at least one, if not both, of those things, since the quantity of music written for viola soloists is relatively so scarce. Nevertheless the programme that she and her excellent pianist, Konstantin Bogino, had chosen for the occasion did credit to both: it was full, substantial, and well varied.

The "past" composers were Schumann, Joseph Joachim, and Brahms; those of our century were Britten and Peter Maxwell Davies. Alike in the Schumann *Märchenbilder*, which opened the concert, and the Brahms E flat sonata, which closed it, one's attention was constantly gripped by the bold largeness of style that united violist and pianist – the command of portamento, of spontaneously flexible phrasing, was romantically impassioned and Romantically convincing.

Both players also did their considerable best for Joachim's long-winded Theme and Variations; on her own Miss Golani lent so much drama to the spectral gestures of Maxwell Davies's *Doors of the Sun* that its thinness of invention was made to seem purposeful. But the evening's peak was a vigorous and full-blooded account of the Britten *Lachrymae* (Op.48) – not at all "English", yet entirely idiomatic on its own terms, decked in a range of bitter-orange and brown-velvet hues that chimed marvellously with both Dowland (by whom the music is inspired) and Britten.

Max Loppert

Andreas Schmidt

WIGMORE HALL

Greatly in demand, young Schmidt is the very model of the modern German baritone: intelligent, deeply respectful of traditional (postwar) *Lieder* style – he is a Fischer-Dieskau product – and wielding a voice of firm, polished character, so well-honed that it scarcely varies from song to song. The most "individual" feature of his Schubert recital with Rudolf Jansen on Monday was his decision to perform *Schwanengesang* without its last song.

And why not? The much-loved *Schwanengesang* isn't a real cycle, after all, but only a posthumous collection. It was the programme-disguise that was curious. It reinforced the impression made by Schmidt's singing: that for all his scrupulous commitment, he is shy of taking first-person responsibility for his songs.

Considered on its own, each song in Schmidt's programme was shaped with well-studied purpose, and usually to excellent effect. If an occasional turn of phrase echoed his great teacher, it was never thoughtless copying; only in "An Schwager Kronos" – the sexy relaxation at *Labe dich!* – did we get a pure imitation of Dieskau's floated, pleading head-voice. Heard in succession, however, the songs began to seem dispassionate exhibits, for all Schmidt's clarion top and his well-focussed depths.

"*Bass*-baritone" is surely his ultimate aim: though it's easy to hear why he was cast early as Wagner's Wolfram, romantic but sternly chaste, the voice has the dark, *abrasive gleam* – and the technical finesse – for Beethoven's Pizzarro too. Just now, the ideal Schmidt *Lied* would seem to be one that's impersonally ardent or martial, perhaps with a tinge of rhetorical tragedy.

But a lot of Schubert songs, including several in this programme, depend upon a familiar period-twist, away from virile rhetoric toward a vulnerable, intimate tone; that was where Schmidt tended to rely upon suave diction as a substitute for any directly exposed feeling. "Der Doppelgänger", for example, made a starkly impressive close for the programme, and the generalised fervour of "Aufenthalt" was stirring.

On the other hand, Goethe's "Ganymed" – a deeply, queasily erotic poem – sounded ludicrously gung-ho, the evergreen "Städchen" too brisk and unseductive to redeem Jansen's dry mock-lute accompaniment; and Schmidt turned the breathless, disarming self-mockery of "Rastlose Liebe" into simple athletics.

There, as in other songs where Schubert's wooden-frame piano should be remembered as an *articulate* instrument, not a modern fog-machine, Jansen was just a muzzy Impressionist. In sterner songs, especially Goethe's, he was tougher and better. But too much like his singer: what Schmidt needs, to fulfil his all-round promise, is a partner in exploring lyrical candour, without the hedge of third-person detachment.

David Murray

Lou Donaldson Quartet

JAZZ CAFE

Lou Donaldson is the sort of jazzer whose famous original recordings, like *Blues Walk*, are marked up at £30 for a scratchy secondhand LP in specialist shops. Several of his old Blue Note albums, including *Lou Takes Off*, have recently become available via Japanese reissues at nearly £13 apiece (for vinyl). Bluer than many of his peers – Milt Jackson, Monk, Mingus and Blakey – the altoist helped invent and develop groovy soul jazz in the late 1950s and '60s.

So it was surprising there were so many empty tables at north London's Jazz Café when he opened there on Monday for six nights. Perhaps everyone was at the Royal Festival Hall for the younger and ubiquitous tenorist Andy Sheppard.

Certainly Donaldson's quartet of piano (Herman Foster), double bass (Jeff Fuller) and drums (Brian Kirk) offered no huge surprises as it ran automatically through standards like Stella by Starlight, Blue Bossa and Star Eyes. Donaldson zipped through Cherokee and Ornithology in the most perfunctory way and even checked his watch a few times between solos.

He has been doing this stuff in clubs for 40 years or so and it shows – but it remains a classic sound and it will have all but disappeared by the end of the century. You get the feeling that Donaldson knows he and his speeding alto are part of a gloriously fading jazz era. "This is a tricky one," he says introducing Fast and Freaky, "and not recommended for fusion musicians."

By his side pianist Herman Foster, blind and enigmatic behind dark glasses, bares his teeth in our direction. Foster is a tremendous sideman, the blues rising suddenly from his piano into a frantic solo which subsides just as abruptly when Donaldson takes over. He makes no attempt at joining the rhythm section but fires up periodically for ringing soulful soloes. Brian Kirk is similarly loud, brash and entertaining after the Blakey school of bop drumming. The only concession to modernity is Jeff Fuller's bodyless double bass, the Zee Bass.

Donaldson, looking like a bluesman should in a sharp suit and pencil 'tache, introduced his "suffrin' music" by singing "Whisky drinking woman" and sounding like T-Bone Walker. His alto playing combines a love of that sort of swinging blues with the influence of Charlie Parker and although routine to him by now, it still comes over as natural soul.

Garry Booth

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Claus Peter Flor conducts Royal Concertgebouw Orchestra in Shostakovich's Tenth Symphony and Brahms' Double Concerto. Sat: concert performance of Lucrezia Borgia (6718 345)
Beurs van Berlage 20.15 Antoni Ros-Marba conducts Netherlands Chamber Orchestra in music by Mendelssohn, Mozart and Schubert, also tomorrow (6270 466)
Muziektheater 20.15 Hamburg's Thalia Theater in Robert Wilson's The Black Rider (6255 455)

■ BERLIN

Staatsoper unter den Linden 19.00 Egon Bischoff's production of Swan Lake. Sat: Reiner Goldberg sings Tannhäuser. Sun: Michael Gielen conducts Pelléas et Mélisande (2004 762)
Komische Oper 19.00 Harry Kupfer's German-language production of Cosi fan tutte. Tomorrow and Sun: Kupfer's new production of Carmen (2292 555)
Deutsche Oper 19.00 Neil Rosenshein sings title role in John Dew's production of Faust, with Inga Nielsen as Marguerite. Tomorrow: Aida with Sharon Sweet in title role. Sat: Il trovatore. Sun: Götterdämmerung (3410 249)

Schauspielhaus 20.00 Hans-Peter Frank conducts Weimar Staatskapelle in Bruckner's First Symphony and Prokofiev's Third Piano Concerto, with David Lively. *Sun and Mon: Tennstedt conducts* Mahler's Sixth (2272 261)

■ BOLOGNA

Teatro Communale 18.00 Christian Thielemann conducts Luca Ronconi's Italian-language production of Capriccio, with Raina Kabaivanska as the Countess. Last performance on Sat. Tomorrow: Temirkanov conducts Royal Philharmonic Orchestra (529999)

■ CHICAGO

Orchestra Hall 20.00 Daniel Barenboim conducts Chicago Symphony Orchestra in American premiere of Edison Denisov's Symphony for large orchestra, plus Prokofiev's Third Piano Concerto with Martha Argerich. Repeated tomorrow and Sat (435 6666)

■ COLOGNE

Opernhaus 19.30 Jochen Ulrich's Tanz-Forum production of Romeo and Juliet, music by Prokofiev. Tomorrow: James Conlon conducts Simon Boccanegra, with cast led by Alexandru Agache and Carol Vaness. Sat: The Bartered Bride. Sun: L'Elisir d'Amore (221 8400)

Philharmonie 20.00 Piano recital by Dmitri Sgouros. Sat: Gary Bertini conducts Cologne Radio Symphony Orchestra (2801)

■ GENEVA

Grand Theatre 20.00 Armin Jordan conducts Matthias Langhoff's production of Don Giovanni, with Thomas Hampson in title role. Last performance on Sat (212311). *Tomorrow in Victoria Hall: David* Zinman conducts Suisse Romande Orchestra in Sibelius's Second Symphony, with Elisabeth Leonskaja soloist in Brahms' Second Piano Concerto (292511)

■ LONDON

MUSIC AND DANCE
Covent Garden 19.00 Maria Ewing sings title role in Nuria Espert's production of Carmen, with Luis Lima as Don Jose. Tomorrow: Hildegard Behrens sings Tosca. Sat: Kathleen Kuhlmann sings Carmen (240 1066)
Coliseum 19.30 Philip Langridge sings title role in Tim Albery's new production of Peter Grimes, conducted by David Atherton. Tomorrow: world premiere of Stephen Oliver's new opera Timon of Athens. Sat: The Cunning Little Vixen (836 3161)
Queen Elizabeth Hall 19.45 Balanescu Quartet plays four works by Michael Nyman. Tomorrow: Nicholas Kraemer conducts London Bach Orchestra. Sat: Beethoven, Brahms and Mozart violin sonatas played by Augustin Dumay and Maria Joao Pires. Sun at 11.00 Fischer-Dieskau sings Schubert (928 8800)
Barbican 19.45 Michael Tilson Thomas conducts London Symphony Orchestra in Mahler's Ninth Symphony. Sat: centenary tribute to Richard Tauber, with extracts from operettas by Franz Lehar and others. Sun: Carmina Burana (638 8891)
Sadler's Wells 19.30 Birmingham Royal Ballet in programme of four ballets, including new work by William Tuckett, repeated tomorrow. Sat: matinee and *evening performances of David* Bintley's full-length ballet Hobson's Choice (278 8916)
Theatre
The National has Alan Bennett's stage adaptation of The Wind in the Willows directed by Nicholas Hytner, and Alan Ayckbourn's play for all the family, Invisible Friends. At the Barbican, the RSC is running Much Ado About Nothing and Love's Labour's Lost. At the Young Vic, Judi Dench stars in Sean O'Casey's The Plough and The Stars. The Almeida has John Dryden's All For Love, with Diana Rigg as Cleopatra. Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ NEW YORK

MUSIC AND DANCE
Metropolitan Opera 20.00 American Ballet Theatre triple bill including Balanchine's Ballet Imperial. Tomorrow and Sat: La Bayadère (362 6000)
New York State Theater 20.00 NY City Ballet in works by Jerome Robbins and Balanchine. Also tomorrow, plus matinee and evening performances Sat and Sun (870 5570)
Avery Fisher Hall 20.00 Zubin Mehta conducts New York Philharmonic Orchestra in Mozart programme, including concertos for horn and for flute and harp. Repeated tomorrow and Sat (874 2424)
THEATRE
Recommended shows on Broadway include Lost in Yonkers, Neil Simon's heart-tugging play in a consummate production by Gene Saks (Richard Rodgers), Miss Saigon, a transfer of Nicholas Hytner's London production (Broadway Theater), Andrew Lloyd Webber's musical Cats, with a first-rate American cast directed by Trevor Nunn (Winter Garden) and Gypsy, Tony Award-winning production of the musical with lyrics by Stephen Sondheim and the original choreography by Jerome Robbins (Marquis). Ticketron (246 0102) answers inquiries and sells tickets

■ PARIS

Palais Garnier 19.30 Opéra Ballet school presents a triple bill, including Firebird in the Fokine choreography staged by Pierre Lacotte. Also tomorrow and two performances on Sat (4742 5371)
Théâtre de la Ville 20.30 An evening of Japanese dance choreographed by Ushio Amagatsu, also tomorrow (4274 2277)
Châtelet 20.30 Semyon Bychkov conducts Orchestre de Paris in music by Mozart and Prokofiev, with soloists Anne-Sophie Mutter, Bruno Giurana and Marjana Lipovsek (4028 2840)
Salle Pleyel 20.30 Heinz Fricke conducts Orchestre National de France in concert performance of Der fliegende Holländer, with a cast led by Franz Grundheber and Lisbeth Balslev (4561 0630)

■ PRAGUE

Smetana Theatre 19.00 Netherlands Dans Theater, also tomorrow
Smetana Hall 20.00 Dmitri Sitkovetsky, accompanied by Pavel Gililov, plays violin sonatas by Janacek, Brahms and Prokofiev. Tomorrow: Douglas Bostock conducts Czechoslovak Radio Symphony Orchestra, with Michal Kanka soloist in Elgar's Cello Concerto.
Pre-booking at Sluna ticket agency, Wenceslas Square 28

■ VIENNA

Theater an der Wien 19.00 Claudio Abbado conducts Jonathan Miller's Vienna Festival production of Le nozze di Figaro, with cast led by Cheryl Studer, Marie McLaughlin and Ruggero Raimondi. Also Sat, Mon and next Wed (586 1676)
Staatsoper 19.30 Sylvain Cambreling conducts La Clemenza di Tito, with Roberta Alexander as Vitellia and Ann Murray as Sesto, also Sat. (51444 2960)
Konzerthaus 19.30 Frans Bruggen conducts Orchestra of the 18th Century in Mozart's Paris and Prague symphonies, plus Clarinet Concerto with Eric Hoeprich. Sun at 11.00: Georges Pretre conducts Mahler's Fifth (7124 6860)

■ WASHINGTON

Kennedy Center Concert Hall 20.30 Neville Marriner conducts National Symphony Orchestra in symphonies by Mozart, Haydn and Dvorak. Repeated tomorrow at 13.30 and Sat (467 4600)

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Thursday May 16 1991

Beware the false dawn

BRITAIN expects its chancellor to deliver an economic expansion in an election year. It also grants its prime minister complete freedom to choose when that election is to be held. The result is inevitable: discussion of economic policy is subject to election blight for at least a year in every electoral cycle and often for longer.

Rarely has there been a better example of electoral economics than in recent weeks. Commentators have been focusing on just one question: will the large fall in headline inflation for April, to be reported this Friday, provide an excuse for lower interest rates? That decline will mainly reflect tax policy, particularly the introduction of the community charge last year. Why should one cut interest rates because of something that happened a year ago? In recent months declining headline inflation has also reflected lower interest rates. Why should interest rates be cut just because they have been cut?

Such speculation undermines the credibility of disinflationary policy and tends to keep interest rates higher for longer than would be necessary otherwise. A chancellor may be as virtuous as a saint, but he cannot escape public knowledge of the temptations to which he is subject.

Benefits ignored

It is puzzling that a government which has recently shown remarkable determination to lower inflation – to the point that a pre-election boom is almost ruled out – cannot see for itself the benefits of greater central bank independence. It is still more remarkable that it prefers to tie itself to the Bundesbank via membership of the exchange rate mechanism than to grant greater operational independence to the old lady down the road.

Mr Leigh-Pemberton, governor of the Bank of England, may not have his hand on the levers, but he has the next best thing: an excellent pulpit. He has been using it boldly, notably in his insistence that the siren voices calling for lower rates of interest, among them the president of the US, should be ignored.

"I do not believe," he stressed in his speech in Frankfurt on Tuesday, "that monetary policy can, or should, attempt to deliver a target path for real output, even in the short run. The objective should be to provide stable prices and the basis for a steady growth of nominal income that is consistent with underlying productive potential." Absolutely right, nod the backbenchers of the siren party in unison, but what about our seats?

Correct answer

The correct answer is that there are more important things than those seats. It is impossible to know whether 12 per cent is a better rate of interest for the UK right now than 11½ or even 11 per cent. What is certain is that neither sterling's position in the ERM nor domestic inflationary performance cry out for further sharp cuts in interest rates.

Underlying inflation cannot be defined unambiguously. But consider the recent behaviour of just a few indices: over the past three months producer prices have been rising at an annual rate of 9 per cent; and the rate of retail price inflation in April, excluding interest rates and fiscal changes, is likely to rise to 7¼ per cent.

Quite as important as indicators of domestic prices are those of international competitiveness. Here the picture is worse: wage inflation has been running at 9 per cent, as against 5 per cent in France; unit labour costs have been rising at 12 per cent, as against less than 3 per cent in Germany. Both figures, particularly the second, reflect the UK's cyclical position. But even if that were stripped out, UK competitiveness against its major EC partners is deteriorating month by month. The longer convergence is postponed, the longer the period of slow growth and disinflation required to recoup the ground that is now being lost.

Mr Leigh-Pemberton may not have the right to set policy, but is doing the next best thing. The UK's inflationary problem is not solved yet, but it must be solved soon. As for the headline rate of inflation, that has long been a worthless barometer.

Hanson takes aim at ICI

ONLY LORD Hanson and a few close associates can know for certain why he has decided to acquire a 2 per cent stake in ICI. It may be that his group intends to be no more than a passive portfolio investor which will sell out once it has realised an acceptable profit.

However, Hanson's reputation as an aggressive dealmaker suggests that it would be rash to leap to such a conclusion. The possibility must be taken seriously – not least by ICI's management – that the acquisition is a prelude to a full takeover bid.

Because of its size, its importance to the UK economy and its position as a rare British leader in a large world industry, ICI is bound to invite comparisons with British Petroleum. If Hanson mounted a bid for ICI, there would be likely to be calls for the government to intervene, as it did several years ago after it was revealed that the Kuwait Investment Office had accumulated a substantial holding in BP shares.

However, there were special circumstances in the BP case. The company was a major supplier of a strategic commodity of vital importance to the UK economy. The prospect that the Kuwaiti government, a member of the Opec cartel, could have have used its shareholding to control BP raised legitimate concerns on grounds of both national security and competition policy.

None of these concerns would apply to a bid by Hanson for ICI – with the possible exception of the impact on competition in the market for titanium dioxide, of which the two companies are among the world's largest producers.

Second objection

A second possible objection is that, on past form, one of Hanson's chief motives for wanting to acquire ICI would be to break it up and sell off at least some its businesses. That could be decried as crude asset stripping, which would rob ICI of the scale needed to compete effectively on world markets.

That is highly debatable. ICI's operations are far from monolithic: indeed, they form a cluster of activities which have turned in widely varying performances in recent years. It is not obvious that there are substantial benefits to be gained by keeping businesses as diverse as pharmaceuticals, seeds and paints under the same corporate roof. Indeed, ICI has already announced plans to prune its portfolio so that it can concentrate on a narrower range of markets. That amounts to a tacit acknowledgement that the prospects of some of its businesses could be improved under different ownership.

Effective manager

Much more pertinent is how well qualified Hanson would be as an owner. The group is best known as a trader in companies, which has thrived by spotting under-utilised assets, re-invigorating them and selling them off. It has also proved an effective manager of the varied portfolio of industrial interests which it has retained.

However, most of these – and certainly those which have performed most successfully under Hanson's stewardship – are low-technology businesses operating in mature or slow-growing markets. Hanson has never demonstrated either the desire or the ability to invest in the sorts of science-based, research-intensive activities which account for much of ICI's business.

A second reservation concerns the future of the Hanson group. It is, to a quite remarkable extent, the creation of two men, Lords Hanson and White, who continue to exercise tight control over every aspect of its operations. Both are now past normal retirement age and appear to have done little to groom successors. In these circumstances, there must inevitably be doubts about the group's medium-term direction and stability.

Obviously, these considerations remain of theoretical importance until Hanson's true intentions towards ICI become clear. However, if a takeover bid emerges, ICI's institutional shareholders will need to judge its merits on more than just the size of the cash offer or the company's prospects under the continuation of its present management. In the particular circumstances, they will have to pay more than usual attention to the qualities of the bidder.

Ian Davidson examines the implications of the change of prime minister in France

The final parting of the ways

Three years ago, after President François Mitterrand's re-election to the presidency, Mr Michel Rocard was appointed prime minister; and ever since, the French press has been predicting that he would be sacked. Yesterday, sensationally, the prediction came true: Mr Rocard's resignation was announced in a crisp communiqué from the Elysée Palace, without explanation, followed by the appointment of Mrs Edith Cresson, the first woman prime minister in French history.

Undoubtedly the change of prime minister at the Matignon will mark a significant change of style and attitude in the conduct of policy. Mr Rocard is a social democrat Protestant with a strong urge to consensual negotiation, a belief in market forces, and a faith in a federal Europe. Mrs Cresson, by contrast, is left-wing and interventionist, nationalist and combative. It is hard to imagine a bigger contrast.

There is another difference which is perhaps even more fundamental: Mrs Cresson has always been among the closest supporters of Mr Mitterrand inside the Socialist party, whereas Mr Rocard has long stood slightly apart, leading a minority clan.

Worst of all, he has long been seen as a plausible challenger to Mr Mitterrand, at least by the French public. The polls have shown that Mr Rocard is one of the most popular French politicians; moreover, they mostly show that he would be the strongest socialist candidate to succeed Mr Mitterrand in the next presidential elections, with a good chance of beating any plausible opponent from the conservative parties.

It is mainly for this reason that French political commentators have repeatedly predicted Mr Rocard's dismissal. It is not just that there is a large personal gulf between Mitterrand the literary lawyer and Rocard the rational economic administrator. More serious has been the element of personal rivalry. The most cynical analysts used to claim that President Mitterrand only appointed Mr Rocard in the hope that office would wear him out and tarnish his reputation.

However, President Mitterrand also has more conventional reasons for acting. The constitution gives the president a free hand to change his prime minister as and when he chooses, and it is a right which has been freely exercised by President Mitterrand and all his predecessors. Of the 11 prime ministers of the Fifth Republic, only one (Mr Jacques Chirac) resigned voluntarily. The rest were either dismissed or lost a general election. And only two (Georges Pompidou and Raymond Barre) lasted significantly longer than Mr Rocard's tenure of three years.

Resignation rumours finally come true: President François Mitterrand, left, and his former PM, Michel Rocard

If President Mitterrand felt he needed to give the government a new look, he probably had to act some time this year. Next year the Socialist party has to gear up for the regional elections, which have become more important as a result of decentralisation; and the year after they face general elections.

What is not so clear, however, is how the change of prime minister will affect the government's policies or its chances in the forthcoming elections. It is widely held that President Mitterrand would instinctively prefer a government with a traditional socialist flavour, and that is something which Mrs Cresson will no doubt provide. But it is not immediately obvious that she will be more successful than Mr Rocard in managing a government which does not command an absolute majority in the National Assembly.

Mr Rocard's technique has been to reach out for support from politicians in the centre. He did not manage to recruit more than a few of them into the government, however, so he had to rely on what became known as *"La Méthode Rocard"*: minimise ideological confrontation, ensure that draft legislation is moderate and reasonable, assemble shifting alliances on a case-by-case basis.

For his first two years, this method was remarkably successful, but in recent months it seems to have become less effective. Mr Rocard has had to rely with increasing frequency on an article of the constitution which merely challenges the opposition to lodge a censure motion; and recently he has simply had to withdraw or postpone a couple of bills, because he could not see the necessary majority.

But Mrs Cresson's combative style and left-wing political instincts may make it more difficult for her to secure parliamentary support in the centre. Mr Pierre Mehaignerie, the leader of the pivotal CDS centrist party, has already passed a hostile verdict on Mrs Cresson's appointment. "I have noticed in the past with Mrs Cresson," he said yesterday, "a lack of honesty and intellectual rigour." He went on to accuse her of "sectarianism, partisan spirit, and a large element of intolerance". That does not bode well for the atmosphere in the National Assembly.

On the other hand, President Mitterrand will surely not want the new government to rely on the small block of 25 communists to its left. He has spent most of his career outmanoeuvring and then stifling the Communist party, and he will not want to be beholden to it now.

There are two important aspects of the French political scene, however, where Mrs Cresson's appointment may prove a significant asset. First, the shock of a change of cast may help stop the unceasing controversy over the scandals of illegal party financing. The entire political establishment is tarnished by these scandals, but the socialists are suffering most.

Second, the main domestic problems on the government's agenda are now the social issues: education, unemployment, immigration, delapidated dormitory cities, pensions, health. In terms of image, a left-wing prime minister may appear more suited to tackling them than a social democrat.

But the government's biggest single policy issue is the negotiation of new European Community treaties. Mrs Cresson is not a natural European; she is a nationalist. But if she sticks to the existing objective of Economic and Monetary Union, she will be compelled also to stick to a rigorous economic policy. It is hard to see how she will be able to promise a more generous social policy than her predecessor.

France's European policy has hitherto been decided by President Mitterrand himself; and unless Mrs Cresson's appointment indicates a retreat from his previous federalist positions, France is likely to remain in the vanguard of the building of Europe.

As for Mr Rocard, his departure may well mark a new step in his ambitions. He has long had his eye on the Elysée and his move may free him to prepare himself for the next presidential elections in 1995.

By going now, he will be absolved of any blame if the socialists do badly in the 1993 general elections. As a former minister, he has no parliamentary seat; so his only job now is that of mayor of Conflans St Honorine, a dormitory town north-west of Paris. This may seem an obscure power base, but we may be sure that we have not heard the last of Mr Rocard.

Into battle for a nation's industry

George Graham on the pugnacious style of France's first woman prime minister

In picking Mrs Edith Cresson to replace Mr Michel Rocard as prime minister, President François Mitterrand has moved his government a notch to the left, but he has also opted for a marked change in style.

Where Mr Rocard has built his political technique on consultation and compromise, Mrs Cresson – never one to mince her words – tends to decide rapidly, intuitively and forcibly.

Her stormy departure from Mr Rocard's cabinet last October showed clearly the main political difference between the two. She resigned in protest at the government's lack of a strong industrial policy from the Ministry for European Affairs which she had headed since 1988.

"I was fed up with talking in a vacuum and having my knuckles rapped. France needs a strong industrial policy and they don't want one, so I'm off," declared Mrs Cresson, who had tried in vain to persuade President Mitterrand to name her to a ministry for trade and industry along the lines of Japan's Miti.

Comments a close political supporter in her fief of Châtellerault, near Poitiers: "She knows what has been achieved in the past 10 years, but she is aware of one thing: if the socialists want to take a new step forward, the priority of priorities is industrial policy. A strong franc is all very well, a rigorous economic policy is all very well, but they are not enough if you don't have the industrial élan to follow them up."

It is clear that Mrs Cresson, who has little time for the less interventionist Mr Roger Fauroux, the current industry minister, will make activist industrial policy one of the cornerstones of her administration. She has, for example, been a strong advocate of a European policy to support the electronics industry.

This may lead France into conflict within the European Community. Mrs Cresson's hostility to Japanese trade practices, particularly to their exports of cars and assembly plants in Europe, is regarded by Brussels as especially incendiary.

EC policy battles are no novelty for 57-year-old Mrs Cresson. When the socialists first took power in 1981 Mrs Cresson was appointed minister of agriculture. Her energetic and often charming personality won admirers in Brussels, but France's masculine and conservative farm lobby gave her a rough ride – because she was a socialist and a woman. As minister for foreign trade from 1988, she fared better with her domestic constituency, and was widely acclaimed as France's travelling saleswoman.

Mrs Cresson is popular with many captains of French industry; from the chauvinist Mr Jacques Calvet, chairman of Peugeot, who applauds her pugnacity and honesty, as well as her attitude to Japanese cars, to the buccaneering Mr Didier Pineau-Valencienne, chairman of the electrical engineering group Schneider. She crossed swords with him over the bankruptcy of the Creusot-Loire engineering company in 1984 but he hired her as consultant when she resigned.

Her views on subjects outside her ministerial experience derive heavily from her experience as mayor of Châtellerault, where she has grappled with problems such as education and immigration.

It is unclear if her hands-on approach to such problems will work in the prime minister's office. As mayor or minister, Mrs Cresson tends to solve problems herself: persuading the head of a company to take on 10 apprentices from her local school, or camping in the corridors of Germany's Treuhand to win a privatisation deal for a French business.

What will be clearer is the prime minister's relationship to the president: Mrs Cresson is an out-and-out Mitterrandist, so much so that she is one of the few remaining socialists who dares to contradict him.

Cresson: Intuitive decision-taker

Old Lady's manifesto

■ On the face of things, there has been nothing like it since Lord Cromer was harrying the Wilson government to defeat – an incident which helped the Treasury hawks to subordinate the Bank of England to their monetary policy decisions. But is the Governor really campaigning against the Government, as resentful Tory backbenchers suspect?

A good deal of evidence suggests that the Bank's apparent unilateral declaration of independence is intended for quite a different audience, across the Channel. The Bank clearly wants a loud voice in the future, independent Eurobank; but it must first kill the idea it is simply a puppet of the Treasury. That means showing that it can and does think for itself.

The Governor's speeches add up to a carefully considered manifesto about the role of monetary policy – and long passages are concerned with policy in Europe, not here. They smell of midnight oil (policy analysts claim to be able to identify the fingerprints of the learned officials who contributed various bits).

This kind of exercise takes a few weeks. It is not the way you conduct guerilla warfare over the timing of the next interest-rate cut.

In any case, the speeches are entirely consistent with the Thatcher policy of hands-off economic management (still in place), and with the stance of the last three Chancellors on fighting inflation. Norman Lamont, as a new boy, could have a hard time in Cabinet if he could not cite the official voice of the markets in support of standing firm. That is just luck, though.

What may not be so fortuitous is the fact that the campaign coincides with the expected retirement of Karl-Otto Pöhl. With a new hand in Frankfurt, and Germany now arrived in the problem-case ward, the European monetary leadership stakes are open, as seemed impossible not long ago.

Can't leave the French unchallenged, you know.

OBSERVER

Muted matriarch

■ The last time Margaret Thatcher went to southern Africa she stopped a war. With a combination of charm and the authority of office, she kept the two warring factions apart in what has since – with her help – become Namibia.

Now she is back in the region, having arrived at Cape Town yesterday with neither much authority nor charm at her disposal. To waiting journalists (busy commenting on how closely she now resembled her Spitting Image puppet) she snarled she was not going to answer questions after 14 hours in an aeroplane.

But she won't have much of a platform in South Africa for her irascible matriarch act. She is being bundled from venue to venue with minimum publicity, for fear that the African National Congress will carry out its threats to disrupt the visit.

Apparently, the ANC hasn't heard that its leader Nelson Mandela is planning to accord her a private audience. Although she is the world's most consistent opponent of the ANC's sanctions strategy, he – like so many other radical black leaders in Africa – seems to hold her in the highest esteem.

Passing show

■ Although out-splendoured by rehearsals for Trooping the Colour, the ceremonious delivery of bids for Britain's new independent-television franchises produced a

"We do have a doctor, but he's popped out to vote in the byelection."

diverting parade.

TVS which may have looked the most threatened existing company – at least before yesterday's tie-up with media giant Time Warner – was first to arrive. It was on the spot a good hour before the 8 o'clock opening of the Independent Television Commission's underground garage where, with a view to easing traffic, bids had to be handed in.

At the other end of the timescale, Telewest which is contending for the Television South West franchise got there only 10 minutes short of the deadline at noon. And Daybreak Television, the consortium led by Sir Paul Fox which is going for the breakfast franchise, scarcely lived up to its title by arriving with just 45 minutes to spare.

Apart from the odd taxi and occasional Volvo, the broadcasters' favourite conveyances – or as time may well prove, tumbrils – for delivering their life-or-death envelopes were BMWs, Mercedes and Ford Granadas and Scorpios.

The sartorial star of the show, however, arrived on foot: TV-am's Bruce Gyngell, complete with retinue and obligatory pink shirt.

Tongue tied

■ One more for the Euro-bashers. Experts from the 12 member states flew into Brussels earlier this week for a "working group" meeting on investment services which lasted all of five minutes.

The reason was not a burying of national differences on the highly sensitive legislation being negotiated in this area. Far from it.

The trouble came when the Spanish interpreters failed to turn up and the Madrid delegation (backed by a majority of others) refused to take part.

Nuclear secret

■ What's the link between Hanson director Christopher Harding and a Sun newspaper headline "UP AND ATOM!" over a story featuring a woman in leather mini-skirt and chains?

The connection, which is entirely innocent, runs through Harding's other job as chairman of British Nuclear Fuels, at whose Sellafield factory the lady works as a guide. The newspaper alleged that, when she wasn't helping to show some 160,000 visitors a year round the works, she had been involved in the pornographic video trade.

Harding admits her activities were one nuclear secret to which he hadn't been privy. His fax had overheated with teasing inquiries from colleagues on the Hanson board, he said.

But some respite, at least, was granted him when he gave evidence to the Commons select committee on energy yesterday. "We'll keep all our questions to the business you legitimately pursue," declared committee chairman Michael Clark.

ECONOMIC VIEWPOINT

Labour plans on 'bracket creep'

By Samuel Brittan

Should the fruits of economic growth be used for lower taxes or higher government spending? Many political economists regard this as the archetypal example of a question suitable for electoral decision.

Unfortunately, the issue is usually raised in Britain in a way that involves continually changing the goal posts, so that an increase in the tax burden counts as "no change", and "no change" counts as reducing it. Both main parties take advantage of the public confusion between the basic rate of income tax, now 25 per cent, and the tax burden which is closer to 40 per cent of gross domestic product.

The key to the debate lies in some figures frequently enough quoted by Labour spokesmen. These show that the proportion of GDP taken by tax has risen by 2¼ to 3 percentage points between 1978-79 – the last year Labour was in office – and now. If that is the best that can be done by a party under a dominant leader, committed to cutting taxes, what can we expect from a party which explicitly disavows any tax-cutting aim? That is all the busy reader need ponder.

The first catch is that if tax rates remain unchanged, the proportion of income taken in tax tends to rise

* * *

Labour is, of course, entitled to make the case that more of the national income should be spent collectively. But it should not pretend that it can be done by fiscal black magic. I prefer the honesty of the Liberal Democrat Leader, Mr Paddy Ashdown, in saying that he would be prepared, if necessary, to raise taxes to boost the public services.

It is, of course, true that normal economic growth puts more revenue into the hands of the Exchequer. This process used to be known as the "buoyancy of the revenue", but collectivists prefer to call it the "fiscal dividend".

Whatever it is called, the Conservatives get off on the wrong foot if they deny its existence. The 2½ per cent annual growth average mentioned by the Labour leader, Mr Neil Kinnock, is actually slightly below the Treasury's estimate of trend growth for the non-North Sea economy. Starting as we are from the bottom of a recession, with a large amount of unused capacity and high unemployment, growth is, if anything, likely to be on average slightly higher. Would Labour really be able to find £20bn of revenue "for health and other essential services" by not reducing tax rates, as Mr Kinnock has claimed?

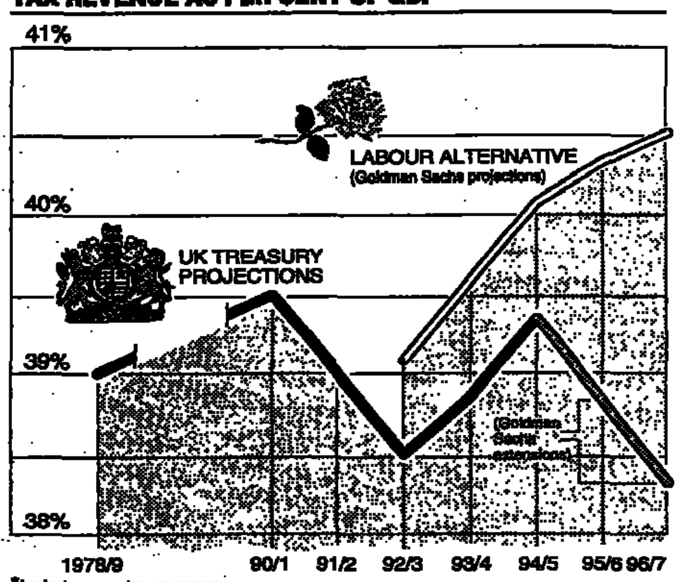
Two economists, Gavyn Davies and David Walton, have estimated in the Goldman Sachs Weekly Analyst that five years of normal growth will *have increased government* revenue by £40bn per annum in today's money, a sum higher even than Mr Kinnock's.

Where is the catch? The first is that if tax rates remain unchanged, the proportion of GDP taken in tax tends to rise, a phenomenon known in the US as "bracket creep", which is more vivid than the academic-sounding "real fiscal drag". For, as real incomes rise, basic and *higher income* tax rates start biting at an ever lower proportion of average income.

The main point is that the would-be tax cutter has to run very *hard to stay in the same* place. The real tax burden has risen under the Conservatives because the reductions in basic rates have been offset by increases in National Insurance contributions and VAT, and because of insufficient upward adjustment of the tax starting points.

The true annual fiscal dividend by 1996-97, if the tax-take is to remain stable, and *bracket creep* eliminated, is more like £30bn. Of this, some £12bn is probably committed under present intentions, to eliminating the Budget deficit once the recession is over; and most of the remainder is required for the rise in public spending that is likely under the present government, let alone any more high spending successor. It is worth going through the Goldman Sachs analysis in stages. The accompanying table examines separately the period up to 1993-94, for which the Major government has published projections, and the longer period up to 1996-97 for which Goldman Sachs have made their own extrapolations.

TAX REVENUE AS PER CENT OF GDP*



*Includes non-tax revenue

Possible fiscal changes: % of GDP	1991-92 to 1994-95	1991-92 to 1996-97
CONSERVATIVE		
Tax-take	+0.3	-0.7
Public spending	-1.2	-2.2
Budget balance	+1.5	+1.5
LABOUR		
Tax-take	+1.1	+1.5
Public spending	+1.6	+2.0
Budget balance	-0.5	-0.5

Source: Original data from Treasury, Goldman Sachs

According to the official projections, the Tory fiscal dividend is devoted to eliminating the Budget deficit. Up to 1994-95, the present government offers only derisory so-called tax cuts, which are not enough to prevent tax revenue rising as a proportion of GDP. The share of public spending is also expected to fall back after the recession and pre-election rise of the present financial year.

How then is Labour going to finance instead an increase in the public spending share? Partly by abolishing the ceiling on employees' National Insurance contributions and raising the higher combined marginal rate to 59 per cent (the first measure good and the second bad). This should increase the tax-take by 0.6 per cent of GDP (overlooking all disincentives and tax-avoiding effects). Nearly as much again will be raised by bracket creep. But the lion's share of the revenue will be raised according to the Goldman Sachs analysts – who are as well placed as any to decipher the cryptic hints that Labour spokesmen have given – by allowing the Budget deficit to rise to 2 per cent of GDP, instead of eliminating it, as in the Treasury's present projections. (The published increase in the Budget deficit will be higher still when Labour abandons privatisation; but we can skip this here as an accounting complication.)

It is only in the final two years, up to 1996-97,for which no official plans exist, that there may be scope for the Conservatives to reduce the basic income tax rate to 20 per cent. But even over this longer horizon "bracket creep" and Budget deficits are overwhelmingly the most important ways of financing Labour's spending plans.

More borrowing is not a costless option. Otherwise the Conservatives would also want it. The old fashioned objection to a Budget deficit over the economic cycle was that it would lead to increased interest rates. But that is unlikely in an integrated international financial market so long as the credibility of Britain's ERM exchange rate can be maintained. A more likely consequence is a reduction in Britain's domestically-owned capital stock because of the *effect on savings*.

The present 40 per cent share of a growing GDP taken up by public spending should be enough if well used

The one sure consequence is that an increasing proportion of the fiscal dividend will have to be earmarked neither for tax cuts nor for public services, but for interest transfers to holders of the national debt, as the US has discovered. Goldman Sachs does indeed warn that already by 1996-97 some £5bn per annum of Labour's extra spending would have to be devoted to servicing the interest on the national debt. The consequences of running a budget deficit may be more subtle compared with straightforward tax increases, but they are just as real.

In conclusion: does one have to be a fanatical individualist or blind to the existence of public goods to believe that the present 40 per cent share of GDP taken up by public spending is enough, and that improvements in services should come from a better use of the existing share of a growing GDP? If one can accept this simple proposition, the whole question of financing the public sector by stealth does not arise.

BOOK REVIEW

The gadfly guru's global message

THINKING ABOUT MANAGEMENT
By Theodore Levitt
Maxwell Macmillan International/ Free Press, £12.95

To many people, Theodore Levitt has for 30 years been a stimulating but incorrigible gadfly.

Leaping smartly from issue to issue, this now-grizzled Harvard Business School veteran lands just long enough to deliver a few provocative one-liners, supported by a slim body of evidence whose significance he proceeds to play for all it's worth (and more), whether on globalisation or entrepreneurship, diversification or forecasting.

One of his most (in)famous early pronouncements was that America's railways might have saved themselves from decline if they had redefined the business they were in as transportation – and, by implication, had diversified into trucking and airlines. This sort of thinking helped drive countless companies in the 1960s and 1970s to diversify in ill-judged fashion into businesses they were unable to manage.

The same school of critics would cite the even greater effect that Levitt had on western corporate strategies in the *mid-1980s, as the godfather of* the gospel of global products and brands. As with his advocacy of diversification, there was more than a grain of truth in Levitt's message that everything but the kitchen sink was going global. But, to their subsequent cost, many companies took it to excess by ignoring national and regional cultural preferences and purchasing patterns around the world.

To Levitt's many admirers, on the other hand, he remains the world's leading marketing scholar that he became in 1960, when his writings on "marketing myopia" exposed the inadequacy of most companies' efforts: that they preached true marketing, but actually suffered from a narrow production and sales mentality. As he implies in this book, such myopia persists remarkably widely today – which is why marketing is constantly being "rediscovered" under new labels, one of the latest being "close to the customer".

Whatever view one takes of this controversial commentator, there is no disputing that Levitt, like a lighter-weight Peter Drucker, has a knack of both entertaining his public, and making it think.

Levitt: age of 'fast history'

The need for senior managers *to think for themselves*, rather than relying on teams of staff researchers and planners, is one of the basic themes of this collection of short essays. Most of them are drawn from Levitt's time as editor of the Harvard Business Review's wide-ranging output, though a few are on his home ground of marketing, advertising, buying and selling.

The essays he groups under the umbrella titles of "thinking" and "changing" are the least profound, although some of them do show insight. Even in bad or changing times, he points out, managers must take the blame for poor corporate performance, because "it's management's job to manage for right results, regardless of circumstance". The need to embrace constant and rapid change through continual and open examination of every convention and practice is a recurrent theme – he talks constantly of "an age of fast history".

Yet Levitt takes strong issue with the way that fellow gurus seem to advocate entrepreneurship as the answer to every problem; he sees this as "an escape from discipline rather than a leap into enterprise", and he tries to rehabilitate the need for large scale in many areas of business activity.

He also rams home the importance in management and leadership of vision, natural authority and innate ability. Churchill "did not rally Britain by showing people pie charts, opinion surveys, or grids of competitive analysis", Levitt points out.

Echoing what from other mouths has been used as a criticism of Harvard and other business schools, Levitt emphasises how hard it is to learn (and teach) management: managerial talent, as opposed to mere capability, cannot be learned, but only spotted, cultivated and extended, he maintains. So one of the most important tasks of the mature manager is to discover younger people with talent.

In his third section, "operating", he concentrates mainly on marketing issues, and provides lots of useful homilies on the importance of trust in advertising, on inadequate defi*nitions of gross margin and* profit, and on the remarkable role which emotion plays in purchasing decisions – even by industrial companies.

So far, so wise. Less satisfactory, even if one forgives the frustrating skimpiness of some of the material, are two shortcomings. First, Levitt's constant sniping against other gurus' "simple nostrums": what about his own? And second, his occasional tendency to relay confused messages, even on very familiar territory. At one point he appears to recant his 1983 hype about the globalisation and homogenisation of everything. But a few pages later, in a separate essay, he seems to withdraw this admission.

On balance, the tolerant reader will forgive such inconsistencies and enjoy the mind which gives us such gems as "although the world is increasingly driven by high technology, it continues to be influenced and managed by high spirits". Like Levitt's own, indeed.

Christopher Lorenz

LETTERS

In defence of mining in Antarctica

From Mr Robert Davies.

Sir, The logic of Greenpeace's argument for not mining in Antarctica (Letters, May 11) defeats me. Ms Vicky Lancaster says that mining is not possible without irreversible damage to the environment. While this statement is not correct, it is true that mining does affect the local area.

Presuming that Greenpeace does not wish to deny mankind all the benefits of modern technology, mining must therefore take place somewhere else. That means, since Antarctica is so barren, that far more wildlife will ultimately be disturbed by mining elsewhere, in tropical rain forest, for example.

Contrary to popular belief, mining is not a large scale activity. Australia, one of the world's leading mining countries, has less land under mining lease than the area of suburban Sydney. It is a moot point as to which causes more pollution.

Robert Davies
Hawthorn
7 Green Trees Avenue
Cold Norton
Essex CM3 6JA

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

How women should be helped to pursue careers

From Mrs Teresa Gorman MP.

Sir, Given the dual role which is part of almost every woman's life it is astonishing that no mention was made of it in your article on women in management ("No room for new faces at the top", May 7). If, as a country, we are serious about harnessing the undoubted talents, training and aspirations of women to hold down a career, we must accept that they will require assistance with their role as mothers and house managers.

In every other walk of life we acknowledge that an individual can be made more productive with equipment and back-up staff. But when it comes to regarding the assistance which a woman needs as a legitimate, tax-deductible expense, the government balks in giving the lead by making these services tax-deductible.

If businesses are remiss in underestimating the cost of losing good trainees, how much greater is the loss to the country of the massive investment we make in higher education and professional training for women when we turn a deaf ear to their request to have their essential child minders, nannies or nursery providers regarded as an essential tool of their ability to ply their trade.

Such purblindness could not exist if we had 600 women in the Commons and 40 men.

Teresa Gorman,
House of Commons, SW1

A revolution in car pricing

From Mr David Franklin.

Sir, The Monopolies and Mergers Commission has found (May 2) that some car prices are 50 per cent dearer in the UK than elsewhere in Europe.

In the last Budget, the chancellor finally hammered the last nail into the company car *perk coffin. Many companies* are now selling vehicles to their executives. When executives come to replace them, paying out of income, they will shop around on the continent for a considerably cheaper replacement vehicle.

A revolution in long-entrenched restrictive car pricing and distribution practices in the UK will result, paving the way for lower car prices.

This will be bad news to boardrooms in Birmingham, Luton and Dagenham but good *news for the purchasing public* and Mr John Major, who will delight in the resulting reduction in inflation.

David Franklin,
8, Wincott Street,
London SE11

Right way to support exports

From Lord Trefgarne.

Sir, Ralph Atkins' article about the forthcoming Lords' Proceedings on the Export Credits Guarantee Department Bill ("Tory peers concerned over ECGD sale", May 13) suggests a cavalier approach to public expenditure on my part which is not, I hope, the case. I am sorry if I did not make myself clear when I spoke to Mr Atkins last week.

I readily agree that the cost of supporting our export trade through ECGD is very high and ought to be reduced, but the right way to do this is not by raising ECGD premiums unilaterally by 200 or 300 per cent in some markets as is currently happening, but rather by multilateral agreement with the export credit insurers in other countries. That may not be a quick or easy solution to this problem but is the only way of ensuring that our exporters are not placed at a disadvantage as compared with their competitors in other manufacturing countries.

I support the principle of moving the Insurance Services Division of ECGD into the private sector, but on the clear understanding that all kinds of cover, including political risk cover, will remain as freely available as hitherto and at *reasonable cost. Assurances by* Mr Tim Sainsbury, trade minister, in the House of Commons, welcome though they were, did not meet these criteria.

Trefgarne
House of Lords, SW1

Directors' pay must be set by 'independent' means

From Mr Blenthyn Jenkins.

Sir, Your leader ("How to control pay at the top", May 10) seems to contain a number of misconceptions.

First, you refer to the role of "independent" non-executive directors as "a questionable concept in itself . . ." It is a fundamental principle of good corporate governance, which the Institute of Directors has advocated over a number of years, that the integrity of a board's operations is safeguarded by the appointment of a number of suitably qualified and experienced non-executive directors, who are "independent" of the company in the sense that they hold no office of profit, other than directors' fees, nor have any other financial connection with the company.

This view is now shared by a number of other institutions concerned with effective corporate governance.

Second, you refer to the role of non-executive directors in relation to directors' remuneration, as members of audit committees.

While the IoD is totally committed to the desirability of audit committees, I suggest that the non-executives' function in this area lies in membership of companies' remuneration committees. No individual or group of individuals should be allowed to determine his or their own salaries; and the presence of a remuneration committee of the board, having a majority of non-executive directors, is the only means of ensuring that this does not happen.

Finally, you suggest that public disquiet would be alleviated if the remuneration package of each director were to be submitted to the vote of the shareholders. Shareholders already have the power to put pressure on companies by exercising, or threatening to exercise, the right of appointment and dismissal of directors, including non-executive directors.

Further legislation is not needed. Exercise of shareholder responsibility is.

Blenthyn Jenkins,
director of corporate affairs,
Institute of Directors,
116 Pall Mall, SW1

Holiday boost

From Mr R A Ledingham

Sir, You report that the economics profession is preoccupied with the questions: when will the recovery start?; what will stimulate it?; how long and strong will it be?

In answering these questions I hope the profession will take account of the fact that the UK is enjoying a community charge payment holiday, from April to July, following which payments will re-commence at close to 1990 levels.

This holiday will result in better retail sales and greater confidence, and can be expected to stimulate either recovery or a June/July election.

R A Ledingham,
Rose View,
Hethe, Oxon.

FINANCIAL TIMES
Thursday May 16 1991

SOVIET UNION

Moscow says economic deal close

By John Lloyd in Moscow

THE SOVIET government said yesterday that it was close to agreement with the country's 15 republics on its plans to halt plunging production levels by the end of the year, and institute a rapid move to a market economy.

Details so far available of the anti-crisis plan point to a much more radical package than previously proposed, although agreement is not yet complete.

Mr Ivan Silayev, prime minister of Russia, the largest republic, said yesterday's meeting of the cabinet of ministers with republican prime ministers, chaired by President Mikhail Gorbachev, "perceptibly advanced in reflecting the interests of the republics".

The government last night said full agreement on the anti-crisis plan might be only days away.

The cabinet was told by Mr Vladimir Shcherbakov, the Soviet deputy premier who nursed the republics through the latest series of talks, that agreement between the centre and the republics was "most important" as it was the guarantee of the its success.

The main factor of the new draft, he said, was that it was not a return to the past, but "a decisive turn to the market on the whole front" – not just in separate directions as was the case in the past.

The independent news agency Interfax said the proposals on which some agreement had been reached were:

- a ban on strikes;
- emergency budgets at all levels for the second half of the year;
- a cut in imports of 10 to 15 per cent and reduced exports of raw materials required for domestic production;
- a sharing among the republics of both the Soviet debt and the gold and diamond reserves;
- an agreement to allow republics to privatise their enterprises in the second half of the year;
- the granting of concessions to foreign companies and the creation of further free trade zones;
- a new income tax law to go before the Supreme Soviet later this month.

This progress was made possible by the agreement last month, under which Mr Gorbachev, Mr Boris Yeltsin, the leader of the Russian parliament, and eight other republican leaders signed a statement committing themselves to support the anti-crisis plan. Since then, republican representatives have consulted their governments, before returning for three days of talks to Moscow to produce the partial agreement reached yesterday.

However, a number of issues remain unresolved.

Of the 15 Soviet republics, some have not even partially agreed, and at least two, Estonia and Georgia, are unrepresented at the meeting. Others have sent only observers.

Mr Silayev, the Russian premier, has criticised the plan as over-bureaucratic and said it would slow the introduction of the market economy.

The government acknowledges, meanwhile, that important issues, such as a single finance and credit system for the whole union, are not yet agreed, and nor is the question of the shape of independence to be given to union enterprises.

Yugoslavia beset by constitutional crisis

By Laura Silber in Belgrade

YUGOSLAVIA was plunged into a constitutional crisis yesterday after the collective presidency's failure to elect Mr Stipe Mesic, a Croat, as president left the country without an effective head of state.

The rejection of his nomination is also likely to spur Croatian ambitions to secede from the federation.

In what should have been a routine affair, Mr Mesic, 57, was set to assume the one-year position which rotates among representatives from the six republics and two provinces. He needed five of the eight votes to be confirmed as president.

But Mr Borisav Jovic, the outgoing president who is a Serb, together with representatives from the Serbian provinces of Kosovo and Vojvodina, voted against Mr Mesic, Croatia's representative on the presidency and the country's vice-president.

The abstention of Mr Momir Bulatovic, the republic of Montenegro's representative and Serbia's close ally, ensured his defeat.

The rejection confirms the deep divisions within the presidency.

It is split between pro-Serbian representatives – including Kosovo, Vojvodina, Montenegro and Serbia – and the independence-minded western republics of Slovenia and Croatia, Bosnia-Hercegovina and Macedonia.

Mr Mesic, a moderate, insists the Yugoslav federation of six republics must be transformed into a loose alliance of sovereign states.

Stipe Mesic: defeat as president creates political vacuum

However, nationalist Serbs claim Mr Mesic wants to become president in order to preside over the country's disintegration.

The latest twist in the struggle between the leaders of Croatia and Serbia appears to be an attempt by Mr Slobodan Milosevic, the communist/nationalist president of Serbia, to preserve control over the political agenda in Yugoslavia.

Mr Milosevic wants to retain a federation at the expense of granting more autonomy to some of the republics, which fear Serbian control over the country's political and economic agenda.

The presidency was last night holding an emergency session which left open the possibility of another eleventh-hour peace plan.

Western diplomats in Belgrade said yesterday Serbia might be planning to use the vote as a bargaining chip to gain the confirmation of representatives from Kosovo, Vojvodina and Montenegro to the presidency.

Croat and Slovene deputies to the federal parliament have blocked the confirmation of the three new representatives.

They would replace the members who last March resigned in protest after the split presidency failed to let the army proclaim a state of emergency.

The political vacuum now heightens the risk of the army taking control, a move would be welcomed by Serbia, which has repeatedly pushed for military intervention to block Croatia's move for independence.

Last week, the presidency 9 agreed to grant the army sweeping powers to stop ethnic clashes between Serbs and Croats in the western republic after at least 19 people were killed.

UK opens commercial television bidding

By Raymond Snoddy in London

THE UK government's plans to open commercial broadcasting to greater competition and choice reached a climax yesterday as 40 companies placed their bids for new 10 year licences.

The outcome, which in most cases will be determined by the highest cash bids, could result in the biggest shake-up in the history of British commercial television.

Some of the most famous names in British television face substantial competition in the bidding. However, with the exception of CLT, the Luxembourg broadcasting company which has taken a stake in Three East, bidding for the Anglia licence, continental European broadcasters have stayed away from the contest.

But two large US media groups entered the breakfast battle against TV-am, with NBC, the US network company backing the Daybreak bid and Disney joining the Sunrise consortium.

A third US group, Time Warner, the world's largest media company, has come to the rescue of TVS Entertainment, the troubled franchise holder for the south and south-east of England.

TVS recently failed to obtain its $70m asking price for MTM, the US production company it bought in 1988 for $320m and has been bailed out by a new £30m ($52m) financial package supported by Time Warner.

The money will, however, only become available if TVS beats off three challengers.

Background, Page 8

Death of Japanese LDP leader opens a period of uncertainty

By Stefan Wagstyl in Tokyo

THE DEATH of Mr Shintaro Abe, one of the leaders of Japan's ruling Liberal Democratic party, shook the country's political circles yesterday.

The former foreign minister had been the head of the LDP's second largest intra-party faction and, despite his serious illness, a possible successor as prime minister to Mr Toshiki Kaifu. He was 67.

Other potential candidates for the premiership, who had been holding back out of respect for Mr Abe, are now expected to start campaigning more aggressively.

They include Mr Noboru Takeshita, the former prime minister and leader of the LDP's largest faction, and Mr Kiichi Miyazawa and Mr Michio Watanabe, leaders of two smaller factions.

There is also likely to be a fierce battle for control of the Abe faction among four former ministers with competing claims to the succession.

One LDP member said yesterday that the consequence of Mr Abe's death would be several months of turmoil before Mr Kaifu's term expired in the autumn and his successor was chosen.

The uncertainty could affect Japanese policymaking to the extent that leading politicians will have increasingly less time for government business – including foreign visits – as they will be embroiled in politicking.

Tributes to Mr Abe came yesterday from across Japan and from overseas, including from the US State Department, which said: "We deeply regret the loss of such a great statesman."

Mr Abe was foreign minister in 1982-86, in the government of Mr Yasuhiro Nakasone.

He played a part in furthering Mr Nakasone's policy of enlarging Japan's presence in world affairs.

Mr Abe was also well-versed in Soviet affairs. His last public appearance was at a reception in Tokyo for Mr Mikhail Gorbachev during the Soviet leader's visit to Japan in April.

He made no secret of his wish to become prime minister. He was a candidate for the post in 1987, but stood aside for the more powerful Mr Takeshita.

It was widely rumoured that Mr Takeshita had agreed that Mr Abe should succeed him when his term expired in 1989. But, Mr Abe missed his chance when the Recruit scandal swept Mr Takeshita out of office.

Shintaro Abe: premiership always eluded him.

Mr Abe was also implicated in this affair.

Mr Abe was a graduate of the Law Department of Tokyo University and worked as a journalist before going into politics as an aide to Mr Nobosuke Kishi, the late prime minister.

After marrying Mr Kishi's daughter, Mr Abe's future seemed so secure that he was dubbed "the prince of politics". He later inherited Mr Kishi's faction. But the premiership always eluded him.

Opposition leader wants to resign, Page 4

Cresson is new French prime minister

Continued from Page 1

have more difficulty in steering government legislation through parliament than Mr Rocard, who managed to eke out the Socialist party's votes by winning support from communists, centrists, and independents.

French financial markets reacted calmly to the change in prime minister, with the stock market recovering after the announcement. Brokers warned, however, that if Mr Pierre Bérégovoy were to be moved from the Finance Ministry this would raise anxiety over the government's commitment to maintaining a strong franc.

The new cabinet is expected to be named today. Mrs Cresson will be restricted in her choice of ministers by the political need to maintain a balance between the different wings of the Socialist party and of Mr Mitterrand's non-socialist supporters.

Major rules out June general election in Britain

By Philip Stephens, Political Editor, in London

THE British government has ruled out a June general election in advance of a widely-forecast defeat by the opposition Labour Party in today's Monmouth parliamentary by-election in Wales.

Mr John Major, the prime minister, plans to fight back with a wave of new policy initiatives over the summer keeping open the option of an autumn election. These will centre on improving public services and boosting home and share ownership.

But he has told colleagues that he is prepared, if necessary, to delay the election until 1992 unless he is sure that he can win a comfortable majority this year.

Mr Major has also indicated that the political backlash in Monmouth over the government's health service reforms will not force him to slow progress towards the establishment of hospital trusts and family doctor budgets.

Mr Major has responded to sniping by some right-wing Tory members of parliament at Mr William Waldegrave by underlining his personal confidence in the health secretary. The view in Whitehall is that Mr Major is keen to stick with his present cabinet team, so any summer reshuffle of ministerial responsibilities will be confined to more junior ranks.

Senior ministers believe that there is still a faint possibility that the opinion polls have greatly over-estimated the slump in the Conservative vote in Monmouth. But even if the government were to defy expectations and win the by-election it would not risk a general election before September or October.

By then Mr Major hopes that lower inflation and interest rates will have bolstered consumer confidence, prompting a revival of retail sales and restoring business confidence. Despite recent warnings from the Bank of England, figures due tomorrow, showing a sharp fall in retail price inflation, are expected to pave the way for another small cut in interest rates.

Ministers are also conscious, however, that today's official unemployment figures are likely to herald a further sharp rise in the jobless total over the next few months.

No decisions have been taken, but the Department of Employment and the Treasury are again considering plans to introduce a series of temporary work schemes to demonstrate the government's commitment to help the unemployed.

Mr Major's planned policy initiative will be designed to give "teeth" to his promise last week to improve public services with a Citizens Charter. The planned policy document on the charter - along with a similar document on education and training for school-leavers - will form the core of the section of the election manifesto devoted to public services.

Other policy initiatives will foreshadow manifesto pledges to further increase home ownership through the extension of rents-into-mortgage schemes, to boost individual share ownership, and to provide further incentives for saving.

Alongside a commitment to privatise British Coal and British Rail, the extension of competitive tendering and the "contracting out" in central and local government, they will be designed to highlight what Mr Major regards as the sharp differences with the Labour party.

The thread running through the Conservative election manifesto will be a commitment to devolve power and responsibilities *to families and individuals*. Mr Major will contrast that with what he regards as the "corporatist" approach of the Labour party.

The prime minister, however, is thought to be uncertain about whether to press ahead with new legislation to curb trades unions powers. Mr Michael Howard, the employment secretary, is pushing for a bill to limit the right of the TUC to determine which union should represent a group of workers.

Conservatives learn to live with poor by-election results, Page 10

THE LEX COLUMN

ICI's moment of truth

The Hanson stake in ICI is open to two interpretations. First, the UK is facing its most dramatic takeover battle for decades: second, two elderly peers of the realm have nothing better to do than play the stock market. The first hypothesis cannot quite be dismissed. If it came to the worst, ICI might find, like BAT before it, that it has fewer friends than it thinks. Over the past decade, it has failed in its main task of freeing itself from dependence on the chemicals cycle. Nor have shareholders much grounds for loyalty on a longer view. In the past 25 years, ICI's shares have halved against the UK market. Those of Hanson have outperformed by 3,000 per cent.

The difficulties come at the practical level. Hanson could not conceivably get ICI for less than its own market value of £10bn. This is a tall order for a company with net cash of only £230m and shareholders' funds of £3.2bn, particularly since the resulting goodwill of something over £5bn would leave Hanson with substantially negative net worth. It might make industrial sense for Hanson to retain the commodity chemicals businesses – perhaps shaking them up more briskly than ICI can itself – while selling on pharmaceuticals and perhaps agrochemicals. But the latter part of the exercise would be the more critical, since it would account for more than half of ICI's value. The whole recent history of the drug industry argues for cautious merger rather than outright purchase, which might prove rather slow for Hanson's purposes.

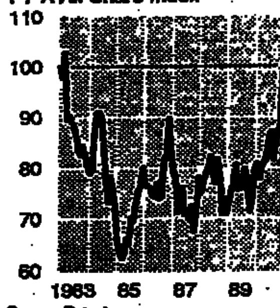
If pushed to it, the ICI board could doubtless follow the BAT parallel further and perform the demerger itself. In that case, Hanson would take a turn on its investment, but scarcely enough to justify the publicity. After its abortive forays on *Midland Bank and PowerGen*, Hanson must beware of trying its own shareholders' patience. As for ICI's share price, it has already risen by nearly a quarter in the past two days. The market might be well advised to let things settle down for a while.

Sainsbury

After yesterday's annual results from Sainsbury, it would be churlish to question its medium-term ability to deliver the goods. The group boasts a 12-year record of dividend increases of 20 per cent or more. Earnings per share have risen by as much for nearly as long and there is little sign that the sequence is about to be broken. Like Tesco, Sainsbury has not yet had the full benefit from its investment in technology; and it will gain from any recovery in consumer confidence as the UK economy improves.

Grand Metropolitan

Share price relative to the FT-A All-Share Index



Source: Datastream

If group pre-tax profits excluding property were merely in line with expectations at £506m, the margin improvement of more than half a percentage point was better. Sales volumes might have been flat, but the group clearly managed significant productivity gains despite the costs of last year's staff evaluation scheme. The new, large stores should be the engine for further margin growth.

As for strategy, the idea of broadening the franchise to include extras like flowers and petrol is already a demonstrable success. Long-term worries about funding continued expansion – capital expenditure will be around £860m this year – remain. But the rent bill from sale and leaseback property deals works out at rather less than 1 per cent of sales, which is enough to make the likes of Burton grimace. Assuming £600m pre-tax this year, the shares are on a multiple of only 15.

TV franchises

The full list of would-be TV moguls provides few new clues to the outcome of the licence round. Scottish, Central and Border, being unopposed, appear to be home and dry, the main question being whether they had the gall to bid the minimum £1,000. As for the rest, we will not know which companies were successful or at what price till October, though it is already clear that the bulk of the money is being bet on the lucrative south and south western franchises.

Shareholders in quoted TV companies always knew they were taking a straight gamble. But it is one thing not knowing whether they will be in the TV operating business by 1993. It is quite another to be in the dark on how much their board has been prepared to bid for the privilege. The market will no doubt rise to the challenge over the next few weeks of filling in the missing numbers. Add this to the rumour, intrigue and misinformation which even in normal times is a hallmark of the television industry and one wonders whether anything approaching a fair market in TV shares will be possible. Certainly the chairman of public companies face an awkward conflict between their duty to provide investors with all material information and their obligation to the Independent Television Commission to keep mum.

As if to prove that there are few certainties in this game, TVS yesterday defied those who had already written it out of the script. Landing Time Warner and Daily Mail and General Trust as partners certainly puts the beleaguered company back in the frame. The drawback for existing shareholders, though, is that the new backers only put up the money if they win – a risk-free position which may have discouraged TVS from making a win-at-all-costs bid.

GrandMet

On the face of it, suppliers of food and drink are not expected to be vulnerable to the economic cycle. It says much for Grand Metropolitan's improved standing with investors that yesterday's 8 per cent drop in half-year earnings left the shares close to an all-time peak against the market. But the six months to March were scarcely the best time for a company earning half its profit in dollars; and as the 11 per cent rise in the dividend suggests, GrandMet is plainly confident of increased profits and earnings for the year as a whole.

Perhaps the most significant message in yesterday's figures was the remarkable profits increase from Pillsbury and the maintained performance from Burger King. As for the UK pub business, the turmoil which lies ahead for the industry should appear positively normal for a company with GrandMet's restless habits. At yesterday's 779p, the shares are on little more than a market rating, which seems amply justified.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	19	66	Berlin	S	10	50	Caracas	C	31	88	Faro	S	21	70	Islamabad	C	35	95
Algiers	S	25	77	Biarritz	C	13	55	Casablanca	F	19	66	Florence	F	24	75	Istanbul	Dr	13	55
Amsterdam	R	9	48	Bombay	•	–	–	Chicago	C	31	88	Frankfurt	C	11	52	Jakarta	R	32	90
Athens	R	16	61	Bordeaux	F	18	64	Cologne	C	9	48	Geneva	F	15	59	Jersey	S	14	57
Bahrain	S	36	97	Boulogne	C	12	54	Copenhagen	F	11	52	Gibraltar	S	21	70	Johannesburg	S	18	64
Bangkok	F	36	97	Brussels	C	12	54	Corfu	R	18	64	Glasgow	F	13	55	Lima	C	22	72
Barcelona	S	19	66	Budapest	F	16	61	Dallas	•	–	–	Helsinki	R	7	45	Lisbon	S	20	68
Beirut	R	18	64	Buenos Aires	C	21	70	Dublin	C	12	54	Hong Kong	S	29	84	London	F	14	57
Belfast	C	11	52	Cairo	S	40	104	Dubrovnik	S	21	70	Innsbruck	R	8	46	Los Angeles	S	13	55
Belgrade	F	18	64	Cape Town	S	29	84	Edinburgh	R	13	55	Inverness	R	11	52	Luxembourg	C	11	52

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	17	63	Milan	C	17	63	Nicosia	R	21	70	Salzburg				Tenerife	S	21	70
Madrid	S	24	75	Montreal	C	14	57	Oporto				San Francisco	S	9	48	Tokyo	R	21	70
Majorca	S	20	68	Moscow	F	17	63	Oslo				Seoul	S	24	75	Toronto	S	15	59
Malaga	S	22	72	Munich	C	9	48	Paris	S	13	55	Singapore	F	31	88	Tunis			
Malta	S	19	66	Nairobi	C	22	72	Peking	C	28	82	Stockholm	R	7	45	Valencia	S	21	70
Manchester	C	11	52	Naples				Prague	F	8	46	Strasbourg	C	12	54	Venice			
Manila	F	35	95	Nassau	F	31	88	Reykjavik				Sydney	C	19	66	Vienna	F	12	54
Melbourne	F	13	55	New Delhi	•	–	–	Rhodes	R	21	70	Taipei	F	31	88	Warsaw	C	17	63
Mexico City	C	29	84	New York	S	29	84	Rio de Janeiro	C	28	82	Tangier				Washington			
Miami	S	27	81	Nice	F	19	66	Rome				Tel Aviv	F	33	91	Zurich	F	10	50

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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COMPANIES & MARKETS
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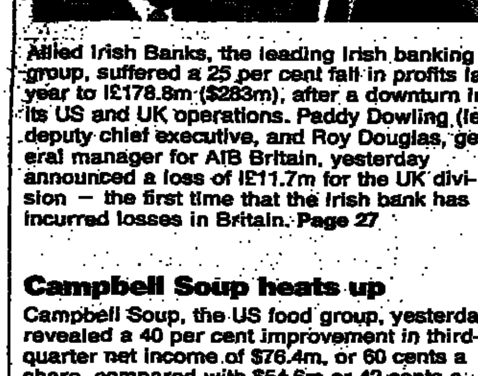
INSIDE

AIB profits fall 25% after UK downturn



Allied Irish Banks, the leading Irish banking group, suffered a 25 per cent fall in profits last year to I£178.8m ($283m), after a downturn in its US and UK operations. Paddy Dowling (left), deputy chief executive, and Roy Douglas, general manager for AIB Britain, yesterday announced a loss of I£11.7m for the UK division – the first time that the Irish bank has incurred losses in Britain. Page 27

Campbell Soup heats up

Campbell Soup, the US food group, yesterday revealed a 40 per cent improvement in third-quarter net income of $76.4m, or 60 cents a share, compared with $54.6m or 42 cents a year earlier. The gains stemmed from its recent restructuring and strong volume gains in soup. Sales for the New Jersey-based company were down from $1.52bn to $1.49bn, reflecting divested and discontinued businesses. Page 22

In search of a sea change

Falkland Islands

A debate has raged over the possible existence of fabulous reserves of oil in the South Atlantic since the mid-1970s. But if officials in the Falkland Islands are right, then the mystery could soon be solved. Indications are that London could decide in a matter of months whether to approve legislation allowing them to sell exploration licences. John Barham looks at the commercial and political implications of such a move. Page 34

Westpac turns on razzmatazz

Westpac, Australia's leading bank, is trying to polish up its image after suffering a fiscal battering from poor results and escalating bad debts. The move is but one symptom of an industry subdued by a weak economy and which is still trying to come to terms with a legacy of unwise lending to highly-leveraged entrepreneurs in the past decade. Kevin Brown reports. Page 22

Shadows over Japan

Japan's financial sector is expected today to reveal sharp profit falls as the country's reporting season gets under way. The flood gates will open with figures from the country's top stockbrokers, which are likely to report declines of 45-60 per cent. However, results from the rest of the economy will be much less grim. Stefan Wagstyl reports. Page 21

ACT bids £27m for Quotient

ACT, the UK computer services company, has made an agreed £27.4m ($47.7m) cash and shares offer for Quotient, a financial software house in which it already holds a 13.1 per cent stake. Page 26

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
[illegible]	785	+	15	[illegible]	1036	+	26
[illegible]	255	+	14	[illegible]	4450	+	50
[illegible]	870	+	20	Radiotechn	535	+	13
Falls				Falls			
[illegible] Lloyd	409	–	25	[illegible] de France	1225	–	35
[illegible]	865	–	10	Paris Rescompte	305.1	–	16.4
[illegible]	710	–	9	Spie Batignolles	543	–	17
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
[illegible]	16¾	+	¾	[illegible] Diesels	1170	+	100
[illegible]	88¾	+	2⅝	[illegible]	745	+	55
Falls				Tokai Kanko	659	+	45
[illegible]	58	–	3½	[illegible]	709	+	48
[illegible]	32⅜	–	3⅝	Falls			
[illegible]	11⅜	–	37½	[illegible]	1080	–	150
[illegible]	15	–	6⅝	[illegible]	1610	–	140
New York prices as at 12.30							
LONDON (Pence)							
Rises				Burton	83	–	10
[illegible]	32	+	5	Business Tech	54	–	4
[illegible]	508	+	11	Concentric	240	–	15
[illegible]	76	+	4	Cntryside Props	59	–	9
[illegible]	1258	+	80	Davy Corp	111	–	7
[illegible]	35	+	4	Diploma	296	–	15
[illegible]	183	+	65	Equities Trust	8	–	7
Smith New Ct	435	+	12	[illegible]	522	–	15
Falls				Sotheby's	725	–	50
[illegible]	458	–	17	TVS	55	–	5
Avon Rubber	270	–	8				

Lufthansa income falls to DM15m

By Katharine Campbell in Frankfurt

LUFTHANSA, the German national airline, yesterday announced that 1990 net income fell to DM15m ($8.7m) from DM110m the year before.

Mr Heinz Ruhnau, the outgoing chief executive, announced that the group would not pay a dividend on its ordinary shares after a "clear operating loss".

The airline is burdened by high costs, particularly in staff, while the Gulf crisis pushed up costs by about DM350m – principally fuel increases – from August onwards.

During the first quarter of 1991, earnings were reduced as a result of the Gulf war by as much as DM580m, although cuts in services and other measures achieved a partial DM190m offset, the company said yesterday.

Mr Ruhnau, who, after nearly 10 years at the helm, is quitting at the end of August, six months before his term expires, was speaking shortly after Mr Jürgen Weber was confirmed as his successor.

Mr Weber, a board member for slightly more than a year, was the candidate favoured by management ahead of an outside political appointment. Mr Weber, a trained flight engineer, has been with Lufthansa for almost 25 years.

Lufthansa is paying a dividend of DM2.50 on preference shares and nothing to ordinary shareholders. In 1989 the airline paid a DM4 dividend on ordinary and preference shares.

The large losses at the airline were offset by non-operating gains, including DM256m from aircraft sales. The weak earnings have not altered Lufthansa's investment programme for this year, which is planned at DM3bn after DM3.2bn last year.

The main factor affecting earnings was staff costs, up 8.7 per cent to DM4.1bn; a level highly uncompetitive with that of many other airlines. A programme of savings – such as lower wages for new staff – will cut DM65m this year and DM100m next year.

Other negative factors included the sorely-stretched capacity of German airports – with 20 hours of holding patterns for Lufthansa aircraft at Frankfurt every day – amounting to DM100m additional costs in total.

The loss occurred despite 10.7 per cent growth in revenue to DM14.5bn, with 26.6m passengers carried and 955,000 tonnes of freight. The domestic market showed the strongest growth, up 27.5 per cent.

For the first time Lufthansa was able to fly its own aircraft in and out of Berlin. In the last two months of the year, domestic demand rose more than 60 per cent.

Nigeria lifts ban on British Petroleum

By Deborah Hargreaves in London

NIGERIA is lifting its 12-year ban on British Petroleum operations in the country. "BP is now welcome to operate in Nigeria either exclusively or in an approved joint venture with other companies," said Mr Jibril Aminu, Nigerian oil minister.

The decision paves the way for BP and Statoil, the Norwegian group with which the British company has established a strategic alliance, to engage in deep-water exploration for oil in the Niger delta. The two companies, which formed their partnership partly to move into politically sensitive areas of the world, applied in January for licences to drill for oil in seven blocks offshore Nigeria.

Nigeria has been prolific in oil discoveries in the past year. Since last August, Shell has announced finds holding an estimated 722m barrels.

The Nigerian oil ministry said its reserves increased by 2.5bn barrels last year and the country needs western cash and technology to help it exploit this oil.

Western oil companies are also negotiating for a relaxation in the high tax rates charged on oil revenues.

"From BP's point of view, it is important psychologically to get back into Nigeria and it is a very prospective area," said Mr Nick Clayton, oil analyst at Smith New Court, the UK brokers. "But you have to see it in perspective. Nigerian oil is pretty low quality and companies only make a small margin on it."

When BP was thrown out of the country in 1979, the company's Nigerian operation was producing 230,000 barrels of oil a day. The Nigerian government objected to BP being allowed to export North Sea oil to South Africa.

Lagos nationalised BP's 20 per cent stake in a joint venture oil company run by Shell and the Nigerian National Petroleum Company. The venture was responsible for more than half of Nigeria's oil production. The government also took over BP's 60 per cent share of a company which marketed oil products in Nigeria.

However, all of the world's leading oil companies remained in Nigeria, including Shell.

● BP opened its first petrol station in Hungary yesterday as part of a big expansion into central and eastern Europe. The company agreed a processing arrangement with the Danube Oil Refinery in 1990 and plans to open four more Hungarian stations before the end of the year.

Hoechst hit by D-Mark's strength

By Andrew Fisher in Frankfurt

HOECHST, the German chemical concern, yesterday reported an 11 per cent fall in pre-tax profits during the first quarter of 1991 to DM820m ($479.5m) but expressed modest optimism that business would improve over the remainder of the year.

"Our company has lost a bit of speed," Mr Wolfgang Hilger, the chief executive, said. "We have had to change down to a lower gear."

Domestic business, helped by demand from east Germany, remained strong, but foreign sales, accounting for three-quarters of the total, were flat.

While the result was a definite improvement on last year's poor fourth quarter, "the start to the year cannot exactly be called brilliant".

Total pre-tax profits in 1990 were 22.5 per cent lower at DM3.2bn. Net income fell by 20.4 per cent to DM1.7bn, with earnings per share of DM27 (DM38).

Mr Hilger said the strength of the D-Mark, especially against the dollar and the yen, hit 1990 sales by DM2.8bn, or 6 per cent of the total.

Hoechst group turnover last year was 2 per cent lower at DM44.9bn. Mr Hilger said that a third of turnover came from north and south America and Asia and was thus exposed to shifts in dollar and yen rates.

Mr Hilger hoped that the dollar would remain near its present higher level for the remainder of 1991.

He expected a revival of foreign business activity in the second half leading to an improvement in profits for the full year. He added that although last year's second half had been weak, this did not mean the same period this year would show a steep decline.

However, the US market had so far shown few signs of a revival despite hopes of economic recovery.

Last year, the group's Hoechst Celanese subsidiary suffered a 19 per cent operating profits drop to $405m. Profits in Brazil and Argentina also slumped.

North American turnover in the first quarter was 6 per cent lower, with the dollar having weakened in that period, but Hoechst Celanese achieved a small volume rise.

In dollar terms, US turnover was 4 per cent higher. Total sales in the first three months were 1.7 per cent higher at DM11.2bn, though the rise was only 0.7 per cent when adjusted for changes in group activities. This reflected a volume rise of 1.4 per cent, price rises of 2.3 per cent, and an adverse currency impact of 3 per cent.

Revelation catches marketmakers on the hop

THE ANNOUNCEMENT that Hanson was the mystery buyer behind Tuesday's £240m ($418m) purchase of 20m ICI shares came four minutes before the end of London trading yesterday, writes Peter John.

It shook up a market already buzzing with speculation over a possible bid for the company that is seen as a prime indicator of UK industrial performance.

Reactions in London dealing rooms ranged from disbelief that Hanson would launch a bid for ICI to speculation that it was merely investing with the aim of getting the market moving.

One trader said Hanson had caused a major stir in the market.

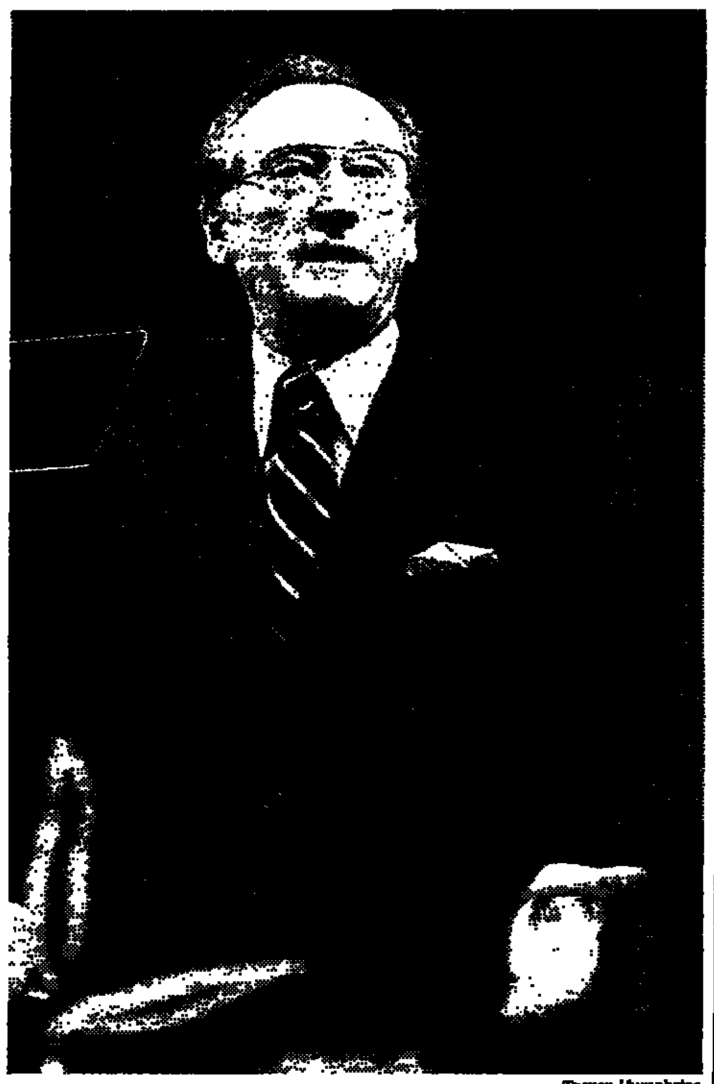
Many of the marketmakers had already left by the time the news came through but there was a flurry of activity among the FT-SE 100 stocks.

ICI, already up 50p, jumped a further 10p to close at £12.18p on turnover of 7.8m shares. This was high for the stock but well below the 40m recorded when securities house Smith New Court bought and sold the shares on Tuesday.

The news came too late to affect Hanson sharessignificantly but the conglomerate, which had moved 4p higher in early trading, ended ½p up at 220½p.

Hanson hands a teaser to the dealing room

Maggie Urry and **Charles Leadbeater** look at the purchase of ICI shares



Trevor Humphries
Lord Hanson: seen as the break-up expert in need of a target

Trading on the UK stock market is bound to be lively today, after yesterday's revelation that Hanson, the conglomerate, was Tuesday's mystery buyer of 20m ICI shares. Hanson is characterised as the break-up bid merchant in desperate need of a target; ICI, the giant chemical group, as the bastion of British industry, struggling somewhat in the recession.

Hanson's remark that the purchase, at a price thought to be about £240m ($415m) was "for investment purposes" cut no ice with the speculators. The wording does not constrain Hanson from bidding, they noted.

As one analyst put it: "Hanson has always said that it would not buy a stake in a company it was not prepared to bid for."

Its share purchases have frequently ended in takeover bids, rarely in passive holdings. On two famous occasions Hanson has made investments – in Westland, the helicopter manufacturer, at the height of the political storm over that company's future, and in Midland Bank. In each case, it took profits when it sold the stakes later.

Hanson has more than £7.4bn in the bank – although net cash is a mere £232m – and the stake in ICI is only 2.8 per cent.

The City is now wondering whether the stake marks the return of the giant takeover bid, rendered dormant, if not dead, by the recession. A bid for ICI would need to be about £11bn, London experts estimate. Hanson could muster such a sum, although this would leave its balance sheet highly geared.

But would Hanson, asked puzzled merchant bankers yesterday, want to walk into the kind of political storm which would be inevitable if anyone bid for ICI, let alone a supposed asset stripper? A banker who in the past has worked for Hanson said: "Why would Hanson risk his reputation and political standing by playing around with ICI?"

Few forget the odium which BTR attracted when it dared to bid for the UK glassmaker, Pilkington, in 1986. ICI is a far more sensitive target politically than Pilkington was. Nor can Hanson forget how its attempts last year to buy PowerGen, the electricity generator, were rebuffed.

Hanson's need to buy something was demonstrated in its interim results on Tuesday. Only last year's acquisition of Peabody Mining, the US coal company, allowed Hanson to raise profits. Next year the group's unbroken profits record could be smashed without another big deal, analysts fear.

ICI's shares have been depressed by the effect of recession on profits and arguably look cheap, given hopes of a cyclical recovery. But Mr Martin Taylor, Hanson's vice-chairman, said this week that the group could see no sign in its businesses of an economic upturn. At ICI, managers say demand for bulk chemicals is still falling, although more slowly. They see no imminent end to recession.

There are a lot of businesses in ICI – such as pharmaceuticals and paints – about which Hanson knows nothing. These are increasingly high-tech activities which require a lot of research and development. Hanson's usual method of buying fairly mature businesses and making them work for cash would not seem appropriate.

Some analysts are sceptical whether Hanson could make much profit by breaking up ICI. Others suggest that a value of £14bn for the group could be achieved – a tidy profit if Hanson could secure ICI for £11bn. The market for businesses is currently depressed, however.

If faced with a bid, ICI would be unlikely to follow the demerger path which BAT Industries took in the face of Sir James Goldsmith's proposed break-up bid. ICI has already announced a restructuring to concentrate on global strengths. The group drew up a plan to ward off a possible hostile bid in the 1980s and has now appointed Warburgs to advise it.

Whatever materialises, the stock market has found a talking point for weeks to come.

Sony launches miniature portable disc music system

By Emiko Terazono in Tokyo

SONY, the Japanese company which brought the world the Walkman, yesterday announced its latest attempt to pack even more electronic wizardry into a small box.

The new product is the Mini Disc, an audio disc which can be played on a machine the size of a cigarette packet.

Sony believes the likely buyers will be young people wanting a portable music system so small it can be pinned to a T-shirt. The Mini Disc machines will be able to record as well as play, unlike compact disc (CD) machines which have so far been mass-marketed in play-only form.

Discs offer instant access to any part of the recording, unlike audio tapes, and Sony said new shock-proof technology meant the players were not disturbed by jolts.

Sony expects to market the Mini Disc late next year. Prices have not yet been decided, but the recorder/player will be somewhat more expensive than the Walkman.

Blank discs are expected to cost the same as blank metal audio cassettes, and pre-recorded discs about the same as CDs.

The 64mm diameter disc will hold up to 74 minutes of sound. It will be housed, like a computer diskette, in a cartridge 72mm long by 68mm wide and 5mm thick. Sony said MDs could be manufactured using existing CD production facilities.

Launching the Mini Disc in Tokyo, Mr Norio Ohga, Sony's president, said: "The young generation needs technology that offers quality sound and random access which can easily be operated." He was due to hold a second launch party later yesterday in New York; a sign of the importance Sony attaches to the new product.

Sony declined to forecast likely sales of the MD player. It had great doubts about the commercial viability of the Walkman before it was launched in 1979 but has since sold 75m of them.

Mr Ohga said Sony would continue to produce digital audio tape (DAT), which it and other electronics groups have invested large sums in developing. DAT offers better quality sound than the Mini Disc and is used by professionals. As for competition from Philips' Digital Compact Cassette (DCC), he said that the MD system used the world's best existing technology, and the consumer would decide which was superior.

Sony said major recording companies had agreed to provide software for the new pre-recorded discs, but declined to comment on the possibilities of pirate recordings. It said the subject was too delicate to discuss.

Grand Metropolitan posts first-half decline of 7.8%

By Philip Rawstorne in London

GRAND METROPOLITAN, the food, drinks and retailing group, yesterday reported a 7.8 per cent decline in first-half pre-tax profits to £377m ($652.21m) from £409m.

The results, at the lower end of market forecasts, were hit by adverse dollar exchange rates and lower property profits. Currency movements reduced the pre-tax figure by £18m. Completion of the group's pub disposal programme reduced the contribution from property by £46m.

These factors – together with a delayed £20m gain from the sale of flour mills in the US which will not appear until the second half – masked a generally solid trading performance.

Local currency trading profits of IDV, the drinks division, and the North American food operations both increased by more than 20 per cent.

Trading profits at Pearle, the US fashion spectacles chain, were down $36m on 1990's first-half level as sales dropped 17 per cent; other retailing was in line with last year's figures.

Sir Allen Sheppard, chairman and chief executive, said that second-half performance should benefit from a stronger dollar but any improvements in the US and UK economies would probably come too late to have a significant impact.

Analysts are forecasting full year pre-tax profits of between £950m and £970m.

Group turnover for the first half was 11 per cent down at £4.4bn against £4.97bn, and trading profits fell 3 per cent to £478m, against £493m.

Earnings per share fell 9.4 per cent to 25.9p but the interim dividend is raised 10.5 per cent to 8.4p, from 7.6p.

Trading profits from food operations rose to £160m from £153m on turnover down to £1.74bn from £1.86bn. In dollar terms, the trading profit of the North American food business increased by 27 per cent. In Europe, a boost to the ready meals market in eastern Germany contributed to a 2 per cent profits rise.

Growth in the group's leading spirits brands helped push drinks volumes up 2.5 per cent. Trading profits increased by 21 per cent in terms of local currencies but by only 11.4 per cent to £205m, against £184m, after translation.

Apart from Pearle, the US recession also affected Burger King where trading profit fell to £43m from £53m. In the UK, GrandMet's pubs balanced a fall in sales with improved margins and lower costs.

Group debt was unchanged at £2.9bn but gearing increased over the six months from 84 per cent to 88 per cent.

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French oil group to issue 7.5m new shares

By Our Financial Staff

ELF Aquitaine, the French state-controlled oil group, will issue 7.5m new shares as part of its project to be listed on the New York Stock Exchange.

Subject to market conditions, the subscription period will run from June 11 to June 13 in the US, France, and other European locations. The company gave no indication of how many shares would be issued in each centre.

The price of the shares will depend on market conditions and will essentially equal the average price of Elf shares on 20 consecutive days out of the 40 days preceding the issue.

Elf said that the filing for the listing is "on schedule". The company has said in the past that it expects to have its listing approved by mid-June. The US issue will be made in the form of American depository receipts. The new issue will add to the company's current outstanding shares, which total 245.49m.

For 1990 Elf staged a 46 per cent improvement in net profits to FFr7.2bn ($1.23bn) on turnover of FFr149.8bn. The result was described by chairman Mr Lok Le Floch Prigent as satisfactory.

Lok Le Floch Prigent: result was "satisfactory"

● Club Méditerranée, the leisure group, will establish its first Australian resort on Lindeman Island, off the state of Queensland. Club Med will spend A$50m (US$39.00m) on the resort, which will accommodate 200 people and is due to open in September 1992.

J Sainsbury profits top £500m for the first time

By John Thornhill in London

J. SAINSBURY, the UK's biggest grocery chain, yesterday showed its recession-resistant qualities by announcing a 15 per cent improvement in pre-tax profits.

Taxable profits topped £500m ($865m) for the first time, advancing from £451.4m to £518.2m as the company continued to benefit from its store development programme, tight control of costs, and increased productivity due to investment in information technology.

Stripped of a reduced contribution of £12.5m, against £30.7m, from property gains, pre-tax profits were up 20 per cent to £505.7m. This was at the lower end of institutions' expectations, and the shares slipped 6p to 384p.

During the year, the company opened 20 stores with an average sales area of 33,500 sq ft. Its capital expenditure programme of £780m will be raised 10 per cent next year.

The company has identified sites for 160 new and replacement stores, and aims to increase its sales area at a rate of 8 per cent a year. This year, Sainsbury's will open its first store in Scotland and its first store in north Wales.

Lord Sainsbury, chairman, disagreed with recent views about market saturation in the grocery trade. He said there was still one-third of the population without access to a local Sainsbury's store. The company still had a "sustainable and consistent growth plan for the future," he said.

In the year to March 17, group sales rose by 13 per cent to £8.2bn from £7.26bn. The UK accounted for £7.23bn, against £6.21bn, of these sales, and the group's US supermarket chain, Shaw's, added £968.8m, compared with £1.05bn.

UK supermarket sales on a like-for-like basis rose by 8 per cent. This growth was almost entirely due to price inflation, although Lord Sainsbury said the company had done well to maintain underlying sales volumes given the recessionary background and stiffening competition.

The UK operating margin improved from 7.04 to 7.67 per cent. The company said it had increased its market share by 0.8 percentage points to 12.6 per cent.

Sainsbury's chain of 61 Homebase stores lifted operating profits by 21 per cent to £13.2m.

Although Shaw's suffered from a depressed economy in New England in dollar terms, sales rose 7 per cent to $1.78bn, and operating profits edged ahead to $55.4m.

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Zurich Insurance up 8.3% at SFr386.6m

By William Dullforce in Geneva

ZURICH Insurance, Switzerland's biggest insurance group, plans to raise its dividend by 6.5 per cent after reporting an increase of 8.3 per cent to SFr386.6m ($270m) in net consolidated earnings in 1990.

The profit advance derived entirely from non-life business. Negative developments on the capital and currency markets prevented the life insurance companies from matching the high level of earnings reached in 1988, Zurich said.

Geographically, the group is highly diversified, realising close to 80 per cent of its premium income outside Switzerland.

It is particularly strong in the US, where it conducts some 30 per cent of its business and where it paid $740m for Maryland Casualty in 1989.

Gross premium income was up 11.1 per cent in terms of local currencies last year but, owing to the strength of the franc, premiums rose by only 0.8 per cent in Swiss franc terms.

Invested assets totalled SFr50bn at the year- end, down by some SFr700m from the level at end-1989. Consolidated equity also declined from SFr6.5bn to SFr6bn as a result of low year-end stock exchange prices and the weakness of foreign currencies against the franc.

The parent company posted a 7.3 per cent advance in net profit to SFr226.7m.

The board proposes to raise the dividend from SFr62 to SFr66 per voting share and from SFr31 to SFr33 per non-voting share, giving a total of SFr125.9m compared with SFr118.2m in 1989.

WestLB declines to DM800m

By Katharine Campbell in Frankfurt

TOTAL operating profits at Westdeutsche Landesbank, the large regional public sector bank based in Düsseldorf, fell to DM800m ($467.80m) from around DM1bn the previous year as high interest rates and an ambitious investment programme in east Germany and elsewhere took their toll.

Given the current unfavourable interest rate outlook, Mr Friedel Neuber, chief executive, forecast that operating profits would remain static for this year – although the figure in the first three months of 1991, at DM240m, represented a 14 per cent increase compared with the same period a year ago.

Administrative costs rose to DM1.66bn from DM1.43bn, while net interest income was squeezed by lower margins on new lending business and higher refinancing costs for the bank. Net interest income fell DM31m to DM1.5bn.

The high level of investment was partly directed towards the east, where the Deutsche Industrie-und Handelsbank, in which WestLB has a 60 per cent stake, now has eight branches.

Mr Neuber reported a small positive operating profit of DM7m by the end of the year, with government-guaranteed liquidity credits forming the bulk of the business.

Integrating Standard Chartered Bank's European network was completed last autumn, with the newly-formed WestLB (Europe) showing an operating profit of DM32m.

Chartered WestLB, the 50:50 joint venture with the UK merchant bank increased after-tax profits by 3.6 per cent to DM10m.

Hoechst optimistic after 11% fall

By Andrew Fisher in Frankfurt

HOECHST, the German chemical concern, yesterday reported an 11 per cent drop in pre-tax profits during the first quarter of 1991 to DM820m ($479.50m), but expressed modest optimism that business would improve over the rest of the year.

"Our company has lost a bit of speed," said Mr Wolfgang Hilger, the chief executive. "We have had to change down to a lower gear." Domestic business, helped by demand from east Germany, remained strong, but foreign sales, accounting for three-quarters of the total, were flat. While the result was a definite improvement on last year's poor fourth quarter, "the start to the year cannot exactly be called brilliant".

Total pre-tax profits in 1990 were 22.5 per cent lower at DM3.2bn; net income fell by 20.4 per cent to DM1.7bn, with earnings per share of DM27 (DM38). Mr Hilger said the strength of the D-Mark, especially against the dollar and the yen, hit 1990 sales by DM2.8bn, or 6 per cent of the total.

Hoechst's group turnover last year was DM44.9bn, a 2 per cent decline. He noted that a third of turnover came from North and South America and Asia and so was exposed to shifts in dollar and yen rates. For the rest of 1991, Mr Hilger expressed the hope that the dollar would stay around its present higher level. He expected a revival of foreign business activity in the second half.

The profits trend for the full year would be better than that of the first quarter; last year's second half was very weak, but it should not be assumed that the same period this year would show a steep decline. So far, however, there had been too few signs of a revival in the US market, despite expectations of economic recovery.

Last year, the group's Hoechst Celanese subsidiary suffered a 19 per cent operating profits drop to $405m. Profits in Brazil and Argentina also fell steeply.

Ahold reports a good start to the year

By Ronald van de Krol in Amsterdam

AHOLD, the leading Dutch food retailer which owns four large US supermarket chains, yesterday reported a rise in profits and sales in early 1991.

Net profit in the first 12 weeks of the year, which correspond roughly with the first quarter, showed an improvement over the same weeks of 1990.

Ahold, which gave no firm figures, also said operating results showed an increase in both the Netherlands and the US in the period.

Consolidated group sales in the first 16 weeks rose by 3.2 per cent to Fl 5.5bn ($2.9bn), but would have been higher but for the 9 per cent decline in the dollar. Dutch sales increased by 7.9 per cent to Fl 3.1bn, while US sales were up 6.3 per cent at $1.4bn.

Ahold said it plans to open a "demonstration supermarket" in Czechoslovakia on June 5 as part of its efforts to persuade shops which are privatised to join the Dutch company's 51 per cent owned joint venture, Euronova.

Preussag to lift dividend by DM1

PREUSSAG, the German steel, trading and energy conglomerate which took over the Salzgitter steel company at the end of 1989, will probably raise its dividend by DM1 to DM9 this year thanks to continued strong growth in profits, writes David Goodhart in Bonn.

Mr Ernst Pieper, Preussag chairman, told the annual shareholders meeting that orders received for the first six months had risen to DM14bn ($8.10bn) although price pressure in steel and dollar weakness had resulted in sales falling by 5 per cent.

Preussag is currently being challenged in the courts by the trade union I.G. Metall over the reorganisation of its supervisory board following the takeover of Salzgitter.

The union wants to preserve in the merged company the co-determination system used in the coal and steel industry which gives workers half of the seats on the supervisory board.

Unilever buys sauce unit

UNILEVER, the food and household products group said its French subsidiary Astra-Calve is to buy Sara Lee Corp's French-based sauce business for an undisclosed sum, Reuter reports.

The business has a FFr300m ($45.2m) turnover.

INTERNATIONAL COMPANIES AND FINANCE

A mixed bag from Japanese companies

Stefan Wagstyl considers likely results as the economic slowdown takes its toll

TODAY sees the start of Japanese companies' most difficult reporting season for five years.

While a few companies have published results for the financial year to the end of March, the flood gates open today with figures from the country's top stockbrokers. Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities are expected to report declines in pre-tax profits of between 45 per cent and 60 per cent.

The news from other financial groups is likely to be almost as bad, with a 30 per cent fall in pre-tax profits likely from leading commercial banks, declines of up to 40 per cent from trust banks, and losses among some small financial institutions.

But results from the rest of the economy will be much less grim. If analysts are right, NEC, a leading electronics group due to report tomorrow, will be typical of many – it is likely to report a modest sales increase, with profits unchanged from last year's record level.

Nomura Research Institute, an affiliate of the securities company, forecasts a profits decline of 9 per cent for 400 top companies; excluding financial groups it expects an increase of 1 per cent.

The results will reflect a modest slowdown in the Japanese economy which has eroded sales growth, combined with the effect of creeping inflation which has eaten away at margins. High interest rates have hurt big borrowers but have benefited companies with cash reserves, including some of Japan's biggest companies.

The overall sales and profits figures will come as little surprise to investors, since Japanese companies routinely leak accurate estimates before the reporting date.

The figures will reflect the impact on financial companies of last year's shock in the markets. Few have escaped unscathed from the 50 per cent peak-to-trough fall in the stock market.

The recovery has still left shares over 30 per cent below their record high. The effect on banks and other lending institutions has been compounded by the rise in interest rates which eroded loan margins. In addition, lenders are facing a rising tide of financial distress among property companies hit by the collapse of a speculative boom in land.

Some companies are weathering the storm better than others: among stockbrokers, the biggest groups are likely to fare better than their smaller brethren. Pre-tax profits at Nomura, the largest house, could be down 45 per cent; those of Yamaichi, the smallest of the big four, could fall 60 per cent.

In banking, reported profits are an important measure of current performance. But investors' main concern is asset quality – how good are a bank's loans, particularly loans made to the vulnerable property market.

As for property companies, some will already be showing the impact of the collapse in the land market on their profit and loss accounts.

PRE-TAX PROFITS CHANGE FOR FINANCIAL YEAR (%)

	1986	1987	1988	1989	1990*	1991*
Top 400 Companies	4.6	17.4	22.1	3.8	−9.1	2.1
Same (ex. financial)	−9.0	13.3	27.3	9.9	0.6	1.3
Manufacturers	−23.6	28.3	38.4	11.2	1.0	−3.9
Paper and pulp	4.8	22.6	31.2	−12.4	−36.7	2.6
Chemicals	3.8	56.8	40.1	4.3	−15.8	−6.0
Steel	-	-	138.4	8.2	−18.4	−15.0
Machine tools	−41.9	2.3	71.0	35.9	13.0	2.1
Electrical, electronics	−38.6	27.6	44.7	20.2	3.4	2.4
Automobiles	−19.9	−2.4	24.3	11.5	12.7	−20.8
Construction	2.8	19.6	24.1	34.0	26.7	16.5
Financial	51.1	25.7	12.4	−9.1	−33.9	5.1

*Estimated Source: Nomura Research Institute

Itoman, the Osaka trading company being rescued by Sumitomo Bank, at the half-way stage warned of a profits decline for the year, while Asahi Juken, a debt-laden apartment block developer, has said sales were running at half of last year's levels.

Even where big borrowings were accumulated by privately-owned companies, listed groups will not escape the impact – a leading creditor of Nanatomi, a developer which went bankrupt earlier this year owing Y300bn, was Tobishima, one of Japan's biggest construction groups. The result may not be a large write-off - well-capitalised groups will prefer to carry unwanted land on their balance sheets until they can sell it.

Instead, the costs will show in increased interest charges. Fortunately for Tobishima and other construction groups, underlying demand remains strong, with increases in orders for public works, commercial and industrial buildings outweighing a decline in housing starts.

Among manufacturers, there are large differences among industries. Cyclical businesses, which saw profits rise fastest in the early stages of the current economic expansion, are seeing an equally rapid decline. Wako Research Institute, an arm of Wako Securities, expects a 52 per cent fall in pre-tax profits of pulp and paper-makers. For steel companies the figure is 14 per cent and for chemicals 10 per cent.

Wako also expects car industry profits to be down – by 18 per cent – following a decline in domestic demand and a sharp fall in US sales.

The results of the sector will be weighed down by losses of around Y70bn at the pre-tax level at Fuji Heavy Industries, the maker of Subaru cars. The problems will also effect Nissan Motor, which is supporting Fuji. Nissan's pre-tax profits could be down by around 16 per cent.

But Mazda Motor is likely to buck the trend, helped by the success of the Miata, its new sports car. Toyota Motor will not be reporting this season since its year-end is in June.

The country's large electronics combines are expected to announce profits very similar to last year's record levels. The wind has been taken out of their sails by a weakening of domestic demand for consumer goods. The yen's rise over the past year has also undermined exports.

The surprises could come from second-tier companies with innovative products, such as Hosiden, a leading maker of liquid crystal displays, which could see profits up 20 per cent.

Among other sectors, oil and gas importers will report bumper profits, boosted by the windfall gains from the oil price rise during the Gulf crisis. Electricity and gas utilities will suffer sharp declines as they were unable to pass the rise in energy costs on to customers.

For 1991-92, most companies are expected to predict improvements in profits, including forecasts of sharp recoveries among some financial groups.

Any recovery in profits will probably be very modest if the economy continues to slow as expected. Nomura forecasts an increase of just 2 per cent. It would be little surprise to see the forecasts companies make in the next two or three weeks steadily revised downwards during the year.

Debts of Y570bn force Asahi Juken to seek rescue

By Stefan Wagstyl and Emiko Terazono in Tokyo

ASAHI Juken, a Japanese condominium developer, has become the latest casualty of the collapse of the speculative boom in Japanese land prices.

The company, with debts of Y570bn ($4.16bn), confirmed yesterday it had been forced to turn to its creditors for a rescue. The bail-out will be led by C. Itoh, the trading company, and include nine financial institutions, including the Industrial Bank of Japan.

The rescue shows how high interest rates and falling property prices are squeezing heavily-borrowed developers and their creditors.

It also suggests that, even though the worst of the crisis in the Japanese property market is by no means over, banks and other lenders seem to be able to cope.

The Bank of Japan said yesterday: "We already know all the names of companies which are likely to be in trouble. There have so far been no chain reactions (of bankruptcies)."

Japanese banks seem to be drawing a line around the level of Y500bn. Troubled borrowers with property-related debts above this figure have so far been rescued – including Itoman, the trading company being supported by Sumitomo Bank, Shuwa, the privately-owned international developer, and EIE International, another large international property investor.

However, companies with debts below Y500bn are finding it more difficult to secure support. They include Nanatomi, a developer which went bankrupt earlier this year owing Y300bn, the biggest failure so far among property companies.

Like other troubled property companies, Asahi intends to start a debt-reduction plan with the support of its creditors. It wants to sell properties worth Y100bn to Y200bn. Its success will depend on the course of interest rates and property prices, since hurried fire-sales will only depress the market.

Osaka-based Asahi Juken had expanded aggressively in the condominium market becoming Japan's second largest apartment developer, but was hit by the increase in interest rates, declining sales and growing inventories.

C. Itoh is leading the rescue because of its deep financial involvement in Asahi's business: it lent Y50bn to Asahi to fund development costs and took a commission when homes were sold to the public.

As the initial measure of support, C. Itoh will increase the amount of advanced credit covering payments on construction projects. Four banks – the Industrial Bank of Japan, the Long Term Credit Bank, Mitsui Taiyo Kobe ank, Nippon Credit Bank – and five non-bank institutions will each provide Y3bn in loans for a total of Y27bn to finance Asahi Juken's operating costs.

SA Breweries 21% up at R1.6bn

By Philip Gawith

SOUTH African Breweries, the country's largest beer and consumer products group, reaffirmed its status as a premier blue chip stock with earnings outstripping inflation in the year to March despite the economy declining throughout the period.

Turnover rose 16 per cent to R15.4bn ($5.50bn) from R13.2bn, with operating profit 21 per cent higher at R1.6bn. Mr Meyer Kahn, executive chairman, said this reflected improved use of resources, more efficient operations and a focus on appropriate trading margins.

Mr Kahn said the group's performance had been "most satisfactory" considering the "devastating effect" social and political upheaval and a depressed economy were having on consumers.

SAB, whose main subsidiaries include the OK Bazaars supermarket chain and the Edgars fashion and clothing group, attributed much of its success to its considerable penetration into the growing black urban market.

The beer division, which contributed 57 per cent of group profits, increased volumes by 12 per cent and its contribution to group earnings by 26 per cent.

Mr Kahn said restrictive fiscal and economic policies continued to dampen consumer spending. This, and political unrest and violence, will inevitably restrain the rate of earnings growth, but Mr Kahn said the group was still aiming for real growth in the year ahead.

Earnings per share rose 18 per cent to 265 cents and the dividend was 17 per cent higher at 118 cents a share.

● Premier Group, South Africa's largest food manufacturer, reported improved results in the year to March. Turnover rose 17 per cent to R5.1bn, with attributable earnings 26 per cent higher at R153.6m. The dividend of 70 cents per share represented an increase of 16.7 per cent.

Agreement in principle was reached at the end of April whereby Premier will acquire control of Metro Group and Score Food Holdings, which are to merge. This will make Premier one of the country's largest wholesale food distributors.

INTERNATIONAL COMPANIES AND FINANCE

Compaq earnings forecast drives shares down 25%

By Louise Kehoe in San Francisco

COMPAQ Computer's stock price plummeted 25 per cent yesterday when the personal computer manufacturer announced it expected a severe drop in revenues and earnings in the current second fiscal quarter.

Revenues for the quarter are likely to be more than 15 per cent below second-quarter 1990 revenues of $862m, the company said.

The revenue decline, along with the continued impact of the strong US dollar on foreign earnings, are expected to reduce quarterly earnings to less than 25 cents per share, far lower than earnings of $1.18 per share in the same period last year.

Compaq's anticipated decline reflects industry-wide problems that are expected to affect other US personal computer makers. Compaq's share price dropped yesterday from $49¼ to $36¾ at midday. Apple Computer and International Business Machines also declined.

Foreign earnings and revenues are being hit by the strengthening of the US dollar. The personal computer market remains soft in the US, Compaq said.

The company said the short-term outlook had been seriously affected by a wave of consolidations among third party computer dealers, through whom it distributes its products.

Mr Rod Canion, Compaq president and chief executive, said key dealers had told them excess inventories were building up as a result of these consolidations and mergers.

In recent months, several large US computer retail chains have merged. The largest was the recent acquisition of Nynex Business Centers by Computerland. In addition, Businessland, one of Compaq's largest dealers, is facing serious financial problems. It said this week it was considering filing for bankruptcy protection.

In the long term, consolidation will strengthen the dealer channel, making independent dealers more competitive, Mr Canion said.

The immediate impact, however, has been a sharp decline in orders in what would normally be the peak buying period for the second quarter.

"This situation, combined with a continuing soft US market for personal computers and the strong US dollar, has resulted in a major impact on our near-term business," said Mr Canion.

Compaq recently slashed the prices on many of its computers in an aggressive move to gain market share and boost sales volumes.

Keeping up appearances when the profits are low

Kevin Brown finds Australian banks still struggling

WESTPAC, Australia's biggest bank, is planning an advertising campaign over the next few days aimed at brushing up an image tarnished by poor results and escalating bad debts.

The advertising blitz is not unconnected with Westpac's interim results, due to be released today, which will show a substantial improvement on last year's disappointing first half.

However, even if Westpac is past the worst, the outlook for the Australian banking industry remains subdued in the face of a weak economy and the legacy of unwise lending to highly-leveraged entrepreneurs.

If there were any doubts about the fragility of the industry, they will have been dispelled by the Bank of New South Wales. In its first interim report since being established as an arms-length corporation by the NSW state government, the bank yesterday reported a net profit of A$9.6m (US$7.5). Mr John O'Neill, managing director, said the first half had been "most difficult". He warned: "It is difficult to see the second half being much better than the first."

Driving home the point, Mr O'Neill listed the reasons banks are having so many problems: the weak economy, which is likely to contract in the current quarter; soaring unemployment, now at 9.9 per cent and rising; severe disruptions to the wool and wheat industries caused by falling world prices; falling asset values created by a depressed property market; slack loan demand caused by high nominal interest rates; and the strength of the Australian dollar, which is hurting exporters.

Mr O'Neill could have added the continuing impact of charges for bad and doubtful debts, which began with the collapse of many of Australia's heavily-borrowed entrepreneurs in 1989-90 and has since spread into medium-sized and small business.

Bad debt charges cost the state bank A$65m in the first half; but that is chicken feed compared with the A$3bn written off last year by the three leading private banks and the federal government-owned Commonwealth Bank.

Estimates of the impact of bad debt charges on the first-half results of the big three banks vary, but there is widespread agreement Australia and New Zealand Banking Group (ANZ) and National Australia Bank (NAB) will suffer more than Westpac.

Most analysts say Westpac's charge is likely to be slightly less than last year's interim A$586m, although there is a question mark over its Australian Guarantee Corporation, the country's largest finance company, which has been hit hard by the property slump.

Such a charge would indicate net profits of between A$250m and A$280m, against an operating profit of A$156m last year, which was boosted to A$354m at the net level by transfers from the group's superannuation fund. In spite of the improvement, Westpac has warned it would cut the interim dividend by up to half from last year's 25 cents per share.

The other big quoted banks are likely to fare worse than Westpac. NAB, which also reports today, is expected to reveal a dip in profits of between 20 and 30 per cent, while analysts expect ANZ to suffer a fall of up to 50 per cent when it reports next week.

NAB also has problems at its finance arm, Custom Credit, which is likely to make losses of around A$60m after bad debt charges of A$87m. The bank is expected to make total bad debt provisions of around A$450m, compared with A$257m in last year's first half.

Net profits are forecast at A$315m to A$370m, against A$440m for the comparable period last year, partly because of a reduction in the contribution from the bank's European subsidiaries – Northern, Clydesdale and Yorkshire in the UK, and National Irish Bank in Ireland.

The worst hit bank, however, is likely to be ANZ, which has the greatest exposure to the state of Victoria – the most economically depressed of the Australian states – and also has problems at Esanda Corporation, its finance arm.

ANZ is expected to more than double bad debt charges, from A$225m to around A$525m, and net profits are forecast at between A$104m and A$140m, compared with A$310m last year.

The forecast results follow a fall in net profits at all three banks last year: Westpac was down 39 per cent to A$486m, NAB down 0.1 per cent to A$801m, and ANZ down 43 per cent to A$412m.

The government and the banks continue to hope for a recovery in the economy during the second half of the year. However, even if it occurs, it is unlikely to happen in time to boost profits during the second half, which ends in September.

Further down the track, the banks may also have to face up to the implications of the crash of Mr John Spalvins' Adelaide Steamship group, which owes more than A$6bn to an international group of banks, including all the big Australian banks.

The day of reckoning has been put off by a debt moratorium until the end of December, to give the group time to negotiate an orderly disposal of its assets. Analysts say, however, that the banks may have to write off much of the debt if the reconstruction fails.

Meanwhile, Westpac's publicity campaign looks like the first shot in an attempt by the banks to improve their image, which Mr John Phillips, deputy governor of the Reserve Bank of Australia, recently suggested was at its lowest ebb since the 1930s.

GM sees upturn in depressed US sales

By Martin Dickson in New York

GENERAL Motors, America's largest automotive group, yesterday said it expected to see depressed US sales start to recover in the third quarter of this year, with a "major uptick" by the fourth quarter.

Mr Lloyd Reuss, president, said he saw sales remaining fairly flat for the remainder of the second quarter.

The US recession has sharply reduced car sales at a time when the industry is suffering from over-capacity. All of Detroit's "Big Three" manufacturers reported heavy first-quarter losses.

Economists have been looking for an upturn in motor sales as a sign that consumers are pushing the economy out of recession. However, figures on Tuesday for sales in the first 10 days of May gave little ground for optimism.

Domestically-made cars sold at a seasonally-adjusted annual rate of 5.4m vehicles, slightly up from 5.3m units in late April, but well below the 6.4m sold a year ago.

General Motors' total vehicle sales were down 20.9 per cent; Chrysler was down 28.7 per cent; and Ford fell 12.3 per cent. Sales by most Japanese manufacturers were also down.

Mr Reuss said GM was well placed to benefit from an increase in sales because of new model introductions. It expected to pick up some market share.

Earlier this week, the company announced plans to bolster its cash reserves with an issue of special convertible preference stock which could raise up to $800m. It would be its first stock issue since 1987.

Campbell Soup advances 40% on strong sales

CAMPBELL Soup, the big US food group, yesterday turned in a 40 per cent improvement in third-quarter net income. The advance reflects the success of its restructuring as well as strong volume gains in soup, writes Karen Zagor.

In the three months ended April 28, net income was $76.4m, or 60 cents a share, against $54.6m, or 42 cents, a year earlier. Although sales were down to $1.49bn from $1.52bn, Campbell said the real difference was a 3 per cent increase, excluding divested and discontinued businesses. Selling, general and administrative expenses rose only 2 per cent to [illegible] in the quarter.

Mr David Johnson, chief executive, said: "Our earnings growth was driven by strong performance from the US soup sector and the broad impact of earlier restructuring decisions."

INTERNATIONAL CAPITAL MARKETS

French bond prices fall on resignation of Rocard

By **Sara Webb** in London and **Patrick Harverson** in New York

THE RESIGNATION of French Prime Minister Mr Michel Rocard yesterday depressed government bond prices as soon as the bond market opened.

Early selling pressure led to the futures contract quoted on Matif, the Paris futures exchange, falling from 106.30 to 106.10, although it later recovered. The yield spread between French and German government 10-year bonds widened from 45 basis points to 49.5 basis points during the day, as German bunds outperformed French bonds.

Despite further speculation yesterday as to whether the Bundesbank president, Mr Karl Otto Pöhl, will announce his resignation at today's press conference, German bunds gained across the yield curve.

Traders said there was some movement from shorter-dated bunds into longer maturities. The Liffe bund futures contract rose to 85.13 by late afternoon due to strong buying, after its low of 84.87. Traders expect to see some selling of futures shortly as the recently issued 10-year bund has grown cheaper against the futures contract. The yield on the benchmark 2001 bund opened at 8.45 per cent and reached 8.4 per cent by late afternoon.

The Bundesbank's decision to issue new short-dated paper every other month was well received. Traders said it would help improve the liquidity of the shorter maturity bunds.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-19	-02/32	10.53	10.42	10.50
		9.000	03/00	92-20	+00/32	10.29	10.09	10.07
		9.000	10/08	91-12	+04/32	10.05	9.90	9.84
US TREASURY *		8.000	05/01	99-07	+03/32	8.12	8.06	7.93
		8.125	05/21	97-29	+09/32	8.32	8.28	8.11
JAPAN	No 119	4.600	6/99	88.3274	+0.003	7.07	7.10	7.11
	No 129	6.400	03/00	98.6895	+0.028	6.64	6.69	6.71
GERMANY		9.000	01/01	103.4800	+0.240	8.44	8.42	8.31
FRANCE	BTAN	9.000	02/96	99.9022	-0.075	9.00	8.93	9.00
	OAT	9.500	01/01	103.8900	+0.100	8.87	8.81	8.80
CANADA *		9.750	06/01	100.7500	+0.350	9.63	9.54	9.43
NETHERLANDS		8.500	03/01	98.8900	+0.140	8.66	8.63	8.49
AUSTRALIA		13.000	07/00	113.8832	+2.244	10.59	10.94	11.02
BELGIUM		10.000	08/00	105.0000	-	9.16	8.91	8.90

London closing, *New York morning session
Yields: Local market standard — Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

■ US BOND prices firmed at the long end yesterday morning as those dealers who had completed the distribution of securities picked up during last week's refunding auction moved back into the market.

By midday, the benchmark 30-year Treasury issue was up ⅛ at 97$\frac{27}{32}$, to yield 8.321 per cent. The two-year note was unchanged at 100$\frac{1}{32}$, yielding 6.80 per cent.

Analysts reported that the successful liquidations of some long positions by dealers who had taken on lots of refunding securities had freed those dealers to buy bonds at the long end yesterday.

The Federal Reserve intervened in the credit markets, arranging overnight system repurchase agreements in an attempt to soften a Fed funds rate driven higher by settlement pressures. The Fed's actions helped Fed funds drop from an opening 6¼ per cent to 6 per cent by midday, but the rate remained stubbornly above the Fed's target of 5¾ per cent.

■ DOMESTIC buying helped lift UK government bond prices mainly at the longer end of the yield curve. The 9 per cent gilt due 2008 was up $\frac{1}{16}$ at 91⅜ by late afternoon. Short-dated gilts were almost unchanged.

In a market bereft of interesting economic data, rumours circulated about whether the Bank of England would issue gilts with a 10-year maturity next and whether any new names would join as gilt-edged market-makers soon. The names being tipped include Morgan Stanley, Yamaichi and Deutsche Bank. The Bank of England declined to comment on market speculation.

Germany relaunches Treasury notes

By **Katharine Campbell** in Frankfurt

THE German government is relaunching one of its medium-term debt instruments as part of the continuing programme to add depth and resilience to the official capital markets.

The "Bundesschatzanweisungen", or Treasury notes, will from next week be issued according to a US-style price auction at regular two-monthly intervals. They will complement the five-year Bundesobligationen, issued on a tap basis, and the longer-term 10-year bund issues, placed in the market partly via a consortium and partly by auction.

The Bundesbank, acting as Bonn's agent, yesterday announced the first action was scheduled for May 22, beginning with paper carrying a four-year maturity. The T-notes will be listed on the eight official German stock exchanges, and the Bundesbank will assume the same market-smoothing function that it does for other bund issues.

Over the past year, the German central bank has initiated important modernisations in technicalities of the government borrowing programme, including introducing the part-auction process for 10-year paper. The measures have been given added urgency by the flood of new debt burdening the market in the course of German reunification.

Mr Karl Otto Pöhl, Bundesbank president, recently said that the previous sporadic issues of small amounts of the notes had created an illiquid secondary market. "We need an instrument that makes a name for itself among national and international investors – also by virtue of its standardisation," he said.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. — Latest prices at 5:05 pm on May 15

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101¾	102¼	+⅛	7.71
ALBERTA PROVINCE 9 3/8 95	600	103⅝	104		8.34
AUSTRIA 8 1/2 00	400	98⅝	99	+⅛	8.70
BANK OF TOKYO 8 3/8 96	100	99	99⅜	+⅛	8.62
BELGIUM 9 1/8 92	400	102⅛	102⅝		7.24
BFCE 7 3/4 97	150	98	98⅜	+⅛	8.19
BMP 8 5/8 94	300	101¾	102¼		7.92
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	93¼	94¼		9.54
KREDIETCORP 7 93 LFr	1000	94¼	95¼		9.70
WORLD BANK 8 96 LFr	1000	95¼	96¼		9.14
AMRO BANK 6 1/4 92 Fl	150	96	96¼		9.75
RABOBANK 5 3/4 93 Fl	150	94½	95¼		9.19
ALBERTA PROVINCE 10 92 C$	500	100¼	100⅝		9.82
BCE INC 9 5/8 93 C$	300	99⅛	99⅝		10.13
[illegible]					

DEUTSCHE MARK STRAIGHTS — [illegible]

SWISS FRANC STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					
KANSAI ELEC PWR 4 5/8 94	60000	93¼	93¾		7.29
NIPPON TEL & TEL 5 7/8 96	50000	95¾	96¼		6.81
NORWAY 5 1/8 95	30000	93¾	94¼		6.97
SWEDEN 5 5/8 95	20000	94¾	95¼	+⅛	7.02
WORLD BANK 6 3/4 00	50000	99⅝	100¼		6.76

CONVERTIBLE BONDS (cont.)	Cnv. date	Cnv. price	Bid	Offer	Prem.
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	82¾	83¾	+75.84
THORN EMI 5 3/4 04 £	103	7.45	111¾	112¾	+16.28

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

Oil nations' deposits at banks break a record

By **Stephen Fidler**, Euromarkets Correspondent

SAUDI ARABIA and other big oil-producing countries in the Middle East made record deposits into international banks in the fourth quarter of last year, according to statistics from the Bank for International Settlements, published today.

The surge of deposits followed the sharp rise in oil prices in the second half of last year, a consequence of Iraq's invasion of Kuwait, the BIS said.

Saudi Arabia's deposits with banks in the BIS reporting area, which covers the industrialised world and most main offshore centres, jumped by $11.8bn in the fourth quarter, after taking into account exchange rate movements. At the end of last year, Saudi deposits totalled $73.2bn.

Deposits by the United Arab Emirates rose by $6.3bn to $33.6bn, according to the BIS, which collects information on behalf of the world's central banks.

Members of the Organisation of Petroleum Exporting Countries across the Middle East built up deposits with banks by a record $21.5bn. The initial reaction in these countries following the August invasion of Kuwait was to draw on deposits with international banks.

Saudi entities increased their gross borrowing from international banks in the fourth quarter – mainly through the interbank market – by $2.6bn to $12.7bn. The UAE's gross borrowings rose by $3.0bn to $10.8bn.

Bank claims on Iraq dropped by about $1.1bn to $7.8bn in the fourth quarter, due largely to write offs of debt or the transfer of Iraqi debt to guarantee agencies. Iraq's assets in international banks, on which there was an international freeze, were static at $3bn.

The oil price increase also benefited Opec members outside the Middle East. Thanks to higher energy prices and a bank debt reduction agreement, Venezuela moved from being a net debtor to international banks at the end of the third quarter to the tune of $3.6bn into a net creditor position of $3.3bn at the end of the year.

Algeria and Nigeria also paid back some earlier borrowings and added marginally to outside deposits.

Outside the oil producing group, China added $5.4bn to its outstanding balances with international banks and borrowed a further $3.5bn. Its net creditor position with banks thus rose to $9bn.

Oil consumers South Korea and Thailand took up a net $4bn and $2.7bn, respectively, from international banks.

Rift between trade groups makes merger 'unlikely'

A DISPUTE between the Association of International Bond Dealers, the Eurobond market's trade association and UK regulatory body, and the International Primary Markets Association, a group representing underwriters, may make it harder for the two groups to work together in the future, according to officials attending the AIBD meeting in Hong Kong, writes Tracy Corrigan in Hong Kong.

The rift between the two trade associations has arisen because IPMA disapproved of a proposal by the AIBD to change its name to the International Capital Market Association. They said the dispute between the two groups had made a merger, as once suggested, even less likely.

IPMA was formed in the early 1980s by a breakaway group from the AIBD. Although there has always been some friction between the two, they have worked together on some issues, such as lobbying on the European Community's investment services directive.

Mr John Langton, chief executive of the AIBD, said it had informed IPMA of its proposed name change to ICMA early this year. IPMA, apparently unhappy with the proposed change to ICMA because the names could be confused, registered the name itself at UK Companies House.

This would not affect the AIBD's ability to use the name in Switzerland, where it is based, but it would have made it more difficult to adopt the name in the UK. Mr Langton said the AIBD then decided the name International Securities Market Association would better describe the group.

Mr Dirk Hazell, secretary-general of IPMA, said IPMA was pleased with the proposed new name of ISMA.

INTERNATIONAL CAPITAL MARKETS

Further deals launched in Canadian dollar sector

By Simon London in London

BONDS valued at more than $1.9bn were launched in nine currency sectors of the international market yesterday, bringing to $6.2bn the new paper issued in the first three days of this week.

The Canadian dollar sector continued to be active, despite worries about oversupply, with three more deals launched yesterday. Issuance of Canadian dollar bonds so far this quarter stands at US$3.7bn. Already this year, total issuance has outstripped the $6.94bn equivalent issued in 1990.

Two longer-dated issues yesterday from Credit National and Tokyo Electric Power vied for the attention of institutional investors. Credit National offered seven-year paper with a coupon of 10⅜ per cent, priced by lead manager Bankers Trust to yield 61 basis points over the Canadian government bond yield curve.

Tepco came with a 10-year issue, lead managed by Wood Gundy, offering 10½ per cent paper priced at 60 basis points over the 10-year benchmark government bond.

Both deals were well received, although paper from recent issues remains in the hands of underwriters.

While some institutional buying is driven by redemptions of outstanding bonds, investors are also building exposure to Canadian dollar bonds. Anecdotal evidence suggests this stock building is at the expense of US dollar assets.

However, demand for Eurodollar paper remains strong, although swap arbitrage opportunities are few for borrowers.

Buyers appear to be switching to longer maturities on the assumption that US interest rates will not fall much further. Following a seven-year issue by Credit Lyonnais on Monday, Export-Import Bank of Japan offered $250m 10-year bonds in a deal lead managed by LTCB.

The paper carries a coupon of 8¾ per cent and was re-offered to investors at a fixed price of 99.86, where the yield is 47 basis points over US government bonds.

The appetite of Swiss investors for a play on their domestic equity market was tapped by Nestlé, which offered $200m seven-year warrant bonds via UBS Philips & Drew.

Last month, Roche, the Swiss pharmaceuticals group, launched a $1bn bond issue with novel "bull spread" warrants attached. However, the Roche issue was made specifically to fund the acquisition of Genentech of the US, while Nestlé is a more regular issuer of warrant bonds and opted for a conventional structure.

The Nestlé bonds carry a coupon of 5⅞ per cent and come with 90 warrants attached. A package of 60 warrants give the right to subscribe for one Roche share at SFr9,200, a premium of 9 per cent to the closing share price on Tuesday. The lead manager said around 40 per cent of the issue had been placed in Switzerland.

Woolwich Building Society, which re-opened the sterling floating rate note market with an issue in April, made its second FRN issue of the year.

The five-year notes pay a margin of 15 basis points over the three-month London interbank offered rate. Lead managed by Deutsche Bank Capital Markets, the deal was reoffered to investors at the fixed price of 99.69, where the discounted margin is 23 basis points – close to the level of the earlier three-year issue.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Export-Import Bk of Japan(a)†	250	8¾	99.86	2001	32.5/20bp	LTCB Int.
Nestle Holdings Inc.(b)♦†	200	5⅞	100	1998	2¼/1½	UBS Phillips & Drew
STERLING						
Woolwich Bldg.Society(c)‡†	100	(c)	100	1996	0.41/0.31	Deutsche Bk Cap.Mkts.
ECUs						
Compagnie Bancaire(a)†	200	9⅜	101.575	1996	1⅞/1.725	Paribas Capital Mkts.
LKB Baden-W'berg(a)†	100	9	101.425	1995	1⅝/1⅜	Deutsche Bk Cap.Mkts.
CANADIAN DOLLARS						
Tokyo Electric Power Co.(a)†	200	10½	101.675	2001	2/1.8	Wood Gundy
Credit National(a)†	150	10⅜	101.80	1998	1⅞/1⅝	Bankers Trust Int.
Total Cie.Fr.d'Petroles(a)†	100	10½	101.65	1996	32.5/20bp	Deutsche Bk Cap.Mkts.
AUSTRALIAN DOLLARS						
GMAC Australia Finance(a)†	75	11¾	101¼	1996	2/1½	Hambros Bank
SWISS FRANCS						
EIB(d)†	200	6⅝	102¼	1999	-	Credit Suisse
Credit Commercial de France(a)†	150	7¼	102	2001	-	Credit Suisse
Bque.Nationale de Paris(a)★★†	75	7¼	102¼	1994	1¾	SG Warburg Soditic
GECC(a)★★†	75	6¾	102	1996	1½	Bque.Paribas (Suisse)
D-MARKS						
DSL Bank(e)★★†	50	10	100¾	1994	1½/1	Schweizerischer Bkverein.
GUILDERS						
Nationale Investeringsbk.(a)†	150	9	101.15	1996	1/⅝	SBC Inv.Bking.NV
YEN						
Trips Series Q(a)†	4bn	7⅜	101⅞	1996	1⅞/1¼	Toyo Trust Int.

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Each bond carries 90 warrants & warrant holders can buy 1 registered share in Nestle SA per 60 warrants at SFr9,200 per share. Exercise premium fixed at 9%. c) Coupon pays 0.15% over 3-month Libor. Non-callable. d) Callable in 1997 at 100½%. e) Issuer has option to repay at par or by delivery of 26 shares of Veba AG plus cash amount of DM1,160 per DM10,000 bond.

First City defaults on $97m worth of bonds

By Bernard Simon in Toronto

FIRST City Industries, a company controlled by Canada's Belzberg family, yesterday defaulted on US$97m worth of junk bonds which were used to finance one of the family's many corporate raids in the 1980s.

The default is the latest in a series of setbacks for the Belzbergs, which have included large write-downs on their securities portfolio and the suspension of dividends by their main holding company, First City Financial.

A spokesman said yesterday, however, that the rest of the group has little exposure to First City Industries' problems beyond some receivables related to US real estate developments. FCI's main asset is Scovill Fasteners, the Connecticut clothing fastener-maker which the Belzbergs acquired in 1985.

The bonds on which FCI defaulted yesterday were used to finance the hostile takeover of Scovill and are without recourse to First City Financial.

The Belzbergs have wound down their arbitrage activities and are now concentrating on financial services through First City Trust and real estate development. Day-to-day management of the group has passed from family patriarch Mr Sam Belzberg to his nephew Brent.

FCI executives met bondholders in New York yesterday to discuss a restructuring of the debt. The Belzbergs are also seeking to renegotiate other components of their C$1.6bn (US$1.39bn) debt with the aim of matching maturities with the income stream from the group's real estate holdings.

In particular, holders of a First City Financial Swiss franc bond issue, on which the first payments become due next year, are expected to be asked for concessions. A C$100m demand loan has already been renegotiated to a three-year term loan.

The First City official said the rest of the debt is mostly project finance linked to specific developments.

Congress battles to shape the future

Barbara Durr on a bill aiming to settle regulatory reform legislation

The final battle in the US Congress over reform of futures regulation is about to begin. The Senate and the House are selecting their gladiators for what is expected to be a contentious conference between the chambers to reconcile their two versions of the regulatory reform legislation.

The House bill contains none of the provisions on jurisdiction of stock index futures and their margins, swaps and hybrid financial products that are at the heart of a carefully constructed compromise in the Senate. The final product consequently may not be what the Chicago exchanges and other parties to the Senate deal are hoping for.

The chief player on the House side, Representative Glenn English, a Democrat who chairs the key House Agriculture sub-committee on conservation, credit and rural development, said: "When it gets to conference, it's a whole new ball game."

Mr English sees no reason why the members of the House should consent to a set of agreements – known as Title 3 of the Senate bill – to which they were not parties.

Although government agencies, industry representatives and various key senators shaped Title 3, Mr English says it was crafted "under duress in the other body". He refers to the pressure the Senate felt to produce a bill after having been bogged down for more than two years in a debate beset by heavy lobbying.

What long hindered the Senate's process was a bid by Mr Richard Breeden, the chairman of the Securities and Exchange Commission, to shift jurisdictional control of stock index futures from the Commodity Futures Trading Commission to his agency.

He also wanted new hybrid financial products under the SEC's authority and substantial hikes in margins on stock index futures contracts. He lost on all three counts.

Title 3 of the final Senate version of the legislation keeps stock index futures under the authority of the CFTC, the futures industry regulator, and permits the CFTC to apply a test it devised to determine if a hybrid product is a future or a security. If the product derives more than 50 per cent of its value from movement of the underlying commodity, it is considered a future and subject to regulation by the CFTC.

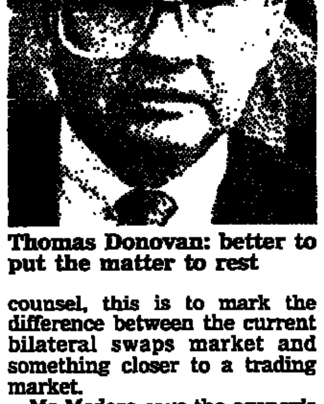
Stock index futures margins were not specifically raised, but the Treasury department, which had largely teamed up with Mr Breeden, won broader oversight of these by the US Federal Reserve.

In the Senate's effort to address the increasingly complicated array of derivative and off-exchange financial products, it also attempted to define more clearly the CFTC's power to exempt certain products from its regulation.

The bill's treatment of swaps is one of its more controversial provisions. The International Swap Dealers Association wanted a statutory exclusion of swaps from CFTC jurisdiction, but it failed to win this. Instead, swaps must meet two tests in order not to be considered futures contracts.

The CFTC must determine if the swap is a fungible, standardised contract and whether it is entered into or traded on what's called "a multilateral transaction execution facility".

According to Ms Joanne Medero, the CFTC's general counsel, this is to mark the difference between the current bilateral swaps market and something closer to a trading market.



Thomas Donovan: better to put the matter to rest

Ms Medero says the agency's concern is to prevent the emergence of unregulated exchanges. But she said: "It's never been our intention to bring swaps under our jurisdiction." This comes as relief to ISDA, which, while having lost the possibility of a straight exclusion, can feel that it got more than half a loaf. But the Chicago markets are not pleased.

They contend that some swaps now are – and more could increasingly become – surrogates for futures contracts. They argue that a market that competes with them ought to be subject to the same regulation.

A debate over swaps, hybrid products and the stock index futures margins could possibly be resurrected in the conference, which is due to start next month.

Mr English said, for example, he did not see any reason for placing margin authority with the Fed, which had plainly stated it was not interested in having such a responsibility.

The Treasury department has meanwhile made clear that if federal oversight of stock index futures is not included in the bill, it will recommend that President George Bush veto it.

How far the Chicago exchanges will press the House-Senate conference for a more favourable final bill is unclear. But Mr Thomas Donovan, president of the Chicago Board of Trade, said the exchange would back some version of the Title 3.

"Although we don't agree with all aspects of it, it does address the issues. And after nearly three years of confrontation, it is better to put the matter to rest," he said.

A complication could arise, however, regarding congressional jurisdiction on this legislation. Members of the House banking committee, which normally would not have a role in futures regulation, could feel they should be involved. Such a move would be supported by the securities industry, the SEC and ISDA, but could trigger greater resistance to any compromise.

Mr English has worked hard to develop the House legislation and would not want to see his sub-committee's jurisdiction vitiated by giving banking committee members some slice of authority on futures regulation. Yet, what may drive a final compromise on the legislation is that all parties recognise that if they do not address the regulation of new and swiftly developing financial products now, the questions will not go away.

IBCA criticises quality of financial disclosure

IBCA, the UK-based credit rating agency, has criticised the quality of financial disclosure by many UK companies which have issued auction market preferred shares (Amps) in the US market, writes Simon London.

A report by IBCA said the decision by Rank Organisation, the UK leisure and entertainments group, to refinance all its outstanding Amps with committed bank borrowings, raises the question of how much reliance can be placed on these funds as a permanent source of company finance.

Rank's decision to retire its Amps followed a lowering of the company's credit rating. Under the Amps structure, the return paid to investors is linked to the strength of the issuers credit rating through a regular auction process.

As the credit rating of the issuer falls, the cost of maintaining Amps can become punitive. But nearly all the UK companies which have issued these instruments have included them as part of share capital and, said IBCA, the precise details of the issue are often not set out. Amps are issued at a high premium to face value. Some companies, do not disclose the full cost of redeeming the issue but only the low nominal value of the outstanding Amps.

IBCA notes the dividends payable on Amps are determined by market interest rates and are not at the discretion of the issuer. "It is appropriate to include these (dividends) within net finance charges payable when considering financial coverages . . . Possibly therefore bank lending agreements should include Amps dividends within the definition of "interest" for covenant purposes."

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed May 15 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue May 14 Index No.	Mon May 13 Index No.	Fri May 10 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (186)	827.68	-0.3	11.29	5.87	10.87	14.65	830.52	837.23	846.55	840.13
2	Building Materials (24)	1087.64	+0.3	10.63	5.70	11.57	20.95	1084.77	1089.43	1106.31	1035.32
3	Contracting, Construction (31)	1314.97	+0.1	9.33	6.12	14.05	28.94	1314.00	1318.42	1335.94	1312.97
4	Electricals (10)	2340.50	-0.3	11.24	5.72	11.33	40.46	2347.83	2371.04	2380.35	2400.07
5	Electronics (25)	1746.88	-0.1	8.96	5.13	14.88	4.09	1748.98	1756.42	1787.03	1821.83
6	Engineering-Aerospace (8)	433.98	+0.2	16.08	5.77	7.48	10.60	433.21	436.53	439.72	446.11
7	Engineering-General (47)	437.82	-0.7	12.80	6.00	9.43	8.07	440.71	443.06	446.98	455.98
8	Metals and Metal Forming (8)	455.02	+0.2	19.64	7.58	6.27	0.59	454.07	456.94	461.54	482.51
9	Motors (13)	323.60	+0.5	12.49	7.51	9.46	9.89	322.06	325.85	328.19	330.87
10	Other Industrial Materials (20)	1472.54	-1.4	9.63	5.52	12.23	31.60	1493.02	1515.46	1528.13	1523.42
21	CONSUMER GROUP (187)	1442.46	-0.4	8.33	3.74	14.79	12.84	1448.14	1460.03	1478.25	1213.30
22	Brewers and Distillers (22)	1799.09	+0.1	8.61	3.65	14.24	14.86	1796.73	1810.16	1833.08	1433.91
25	Food Manufacturing (20)	1154.29	-0.1	10.00	4.23	12.33	15.95	1155.72	1164.30	1176.75	1052.92
26	Food Retailing (16)	2782.77	-0.5	7.99	2.91	16.37	16.72	2797.20	2811.81	2844.60	2283.63
27	Health and Household (21)	3194.60	-1.0	6.01	2.69	19.00	20.81	3225.29	3265.82	3305.25	2493.07
29	Hotels and Leisure (23)	1321.35	......	10.34	5.24	11.40	17.30	1320.63	1332.24	1348.88	1365.04
30	Media (25)	1439.81	+0.3	9.47	4.77	13.43	20.96	1435.60	1447.65	1473.73	0.00
31	Packaging, Paper & Printing (16)	659.60	-0.4	8.21	5.00	15.25	11.81	662.03	672.82	684.15	562.32
34	Stores (33)	908.03	-0.9	8.85	4.01	14.75	3.42	916.55	919.68	930.73	746.43
35	Textiles (11)	540.86	......	10.10	5.95	12.29	8.01	540.61	541.13	542.52	462.16
40	OTHER GROUPS (108)	1215.55	+0.2	9.72	5.00	12.63	10.01	1213.12	1219.70	1235.16	1112.44
41	Business Services (13)	1212.06	+0.2	10.98	5.37	11.20	11.45	1209.98	1212.77	1223.50	0.00
42	Chemicals (21)	1340.06	+2.9	8.69	5.34	13.21	24.59	1302.68	1273.92	1290.40	1211.20
43	Conglomerates (10)	1512.09	+0.2	10.09	6.86	11.96	13.24	1508.49	1536.40	1566.25	1574.61
44	Transport (14)	2191.66	......	11.24	4.71	10.99	26.91	2191.14	2214.00	2239.41	2147.91
45	Electricity (14)	1193.97	+0.2	11.61	5.59	10.79	0.00	1191.06	1204.85	1216.30	0.00
46	Telephone Networks (4)	1439.00	-0.7	9.24	3.47	14.09	0.00	1448.99	1464.12	1480.45	1103.12
47	Water (10)	2444.40	......	13.87	5.73	8.06	39.69	2444.04	2476.89	2489.87	1894.50
48	Miscellaneous (22)	1851.23	-0.6	6.35	5.05	20.13	21.46	1861.97	1860.11	1892.06	1715.50
49	INDUSTRIAL GROUP (481)	1222.20	-0.2	9.37	4.57	13.12	12.75	1224.55	1233.47	1248.61	1101.46
51	Oil & Gas (19)	2327.34	-0.6	10.82	5.72	12.04	40.03	2340.25	2366.98	2421.98	2271.71
59	500 SHARE INDEX (500)	1316.63	-0.2	9.56	4.72	12.97	14.90	1319.77	1330.08	1348.27	1198.84
61	FINANCIAL GROUP (97)	797.01	......	-	5.92	-	17.76	796.81	807.59	817.21	764.52
62	Banks (9)	887.52	-0.1	7.85	6.19	18.46	21.93	888.34	906.44	915.08	815.48
65	Insurance (Life) (7)	1460.16	......	-	5.67	-	41.64	1460.70	1474.37	1501.08	1293.50
66	Insurance (Composite) (6)	665.34	+0.5	-	6.59	-	20.23	662.06	672.37	683.78	637.78
67	Insurance (Brokers) (8)	1080.52	-0.7	7.30	6.22	17.83	21.24	1088.30	1097.13	1116.28	1049.61
68	Merchant Banks (7)	423.36	+0.1	-	4.78	-	4.47	422.83	425.02	428.13	421.39
69	Property (40)	980.87	+0.2	6.52	4.78	21.13	7.83	978.99	982.75	992.38	1070.33
70	Other Financial (20)	285.60	-0.4	9.22	6.32	13.48	4.41	286.80	287.77	288.72	297.79
71	Investment Trusts (70)	1205.08	-0.5	-	3.48	-	12.42	1210.63	1211.12	1224.06	1167.31
99	ALL-SHARE INDEX (667)	1190.82	-0.2	-	4.85	-	15.23	1193.31	1203.31	1219.38	1094.43

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 14	May 13	May 10	May 9	May 8	Year ago
FT-SE 100 SHARE INDEX‡	2459.4	-4.3	2466.2	2449.7	2463.7	2486.6	2524.3	2541.8	2523.4	2221.1

FIXED INTEREST

	PRICE INDICES	Wed May 15	Day's change %	Tue May 14	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	120.92	-0.05	120.98	1.87	4.29
2	5-15 years (29)	130.10	-0.02	130.13	2.17	5.15
3	Over 15 years (8)	136.59	+0.08	136.48	1.76	5.02
4	Irredeemables (6)	149.26	-0.34	149.77	0.58	6.11
5	All stocks (70)	129.39	-0.02	129.42	2.04	4.92
	Index-Linked					
6	Up to 5 years (1)	158.62	-0.15	158.86	-	2.72
7	Over 5 years (10)	146.94	-0.20	147.23	0.85	1.52
8	All stocks (11)	147.83	-0.20	148.12	0.82	1.56
9	Debs & Loans (56)	110.19	-0.01	110.20	2.59	3.47

	AVERAGE GROSS REDEMPTION YIELDS		Wed May 15	Tue May 14	Year ago (approx.)
	British Government				
1	Low	5 years	9.22	9.23	11.64
2	Coupons	15 years	9.80	9.83	11.32
3	(0%-7¾%)	20 years	9.95	9.96	11.19
4	Medium	5 years	10.40	10.38	12.92
5	Coupons	15 years	10.25	10.25	11.74
6	(8%-10¾%)	20 years	10.17	10.17	11.26
7	High	5 years	10.58	10.55	13.03
8	Coupons	15 years	10.40	10.39	12.07
9	(11%-)	20 years	10.28	10.27	11.57
10	Irredeemables	†	10.18	10.14	11.16
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.84	3.77	5.40
12	Inflation rate 5%	Over 5 yrs.	4.15	4.13	4.27
13	Inflation rate 10%	Up to 5yrs.	3.03	2.96	4.28
14	Inflation rate 10%	Over 5 yrs.	3.97	3.96	4.08
15	Debs &	5 years	11.88	11.88	14.90
16	Loans	15 years	11.63	11.63	13.76
17		25 years	11.42	11.42	13.42

‡Opening index 2456.3; 9 am 2466.0; 10 am 2457.8; 11 am 2451.3; Noon 2457.3; 1 pm 2463.7; 2 pm 2462.0; 2.30 pm 2460.3; 3 pm 2461.9; 4.10 pm 2455.5; (a) 9.01am (b) 10.25am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323. CONSTITUENT CHANGES: Manpower (41) has been deleted. Gardiner Group (41) and Shires Investment (71) have been inserted.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	16	60	8
Corporations, Dominion and Foreign Bonds	1	8	11
Industrials	174	391	967
Financial and Properties	49	222	471
Oils	7	32	53
Plantations	1	3	6
Mines	57	27	79
Others	15	105	43
Totals	320	848	1,638

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am't Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	-	101	100	Aberforth Split Lev Cp	101		-	-	-	-
100	F.P.	-	108	100	Do. Income 10p	107		M9.0	-	11.2	-
-	F.P.	-	206	200	Do. Units 10p	206		-	-	-	-
100	F.P.	-	109	104	Contra-Cyclical Inc 1p	107		-	-	-	-
50	F.P.	-	56	54¼	Do. Zero Div. Prf. 50p	55¼		-	-	-	-
25	F.P.	-	27	22½	Do. Capital	26¼	-½	-	-	-	-
100	F.P.	-	103	100	Drayton Blue Chip Tst.	102		-	-	-	-
100	F.P.	-	108	105	Do. Zero Prf. £1	108		-	-	-	-
65	F.P.	-	66	65	EFM Income Tst.	66		-	-	-	-
35	F.P.	-	38½	37	Do. Zero Div. Prf.	38½		-	-	-	-
†	F.P.	-	41	33	Globe Petroleum	40		-	-	-	-
Ir230	F.P.	-	245	220	Greencore Ir£1	220		u06%	5.9	1.8	9.3
$100	F.P.	-	123	116	Headline Book Publ'g. 10p	123		12.5	2.8	2.7	17.7
-	F.P.	-	9	6	MMI Warrants	9		-	-	-	-
†	F.P.	-	£12¼	£12	Manpower Inc. 1c	£12		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
100p	Nil	-	46pm	42½pm	§Clearmark 6pc Cv. Red. Prf.	46pm	
100	F.P.	-	103¾	100¼	Hanson 9½pc Cv. Bd.	101½	
100p	F.P.	-	106p	80p	Lilleshall 9pc Cv. Rd. Prf. £1	105p	
100	F.P.	-	103¾	98¼	RMC Capital 8¼pc Cnv. Bds. 2006	101¾	+¼
‡100p	Nil	-	6pm	4pm	Slough Ests 8¼p (Net) Cnv. Rd. Prf.	6pm	
100	F.P.	-	103½	99	Tarmac 9½pc Cnv. Cap. Bds. 2006	100¾	-¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
97	Nil	-	6pm	3pm	‡Allied Leisure 5p	5pm	-½
112	Nil	-	13pm	10pm	BBA Group	11pm	+1
210	Nil	-	24pm	16pm	Baird (Wm.) 50p	22pm	-1
132	Nil	-	16½pm	15½pm	Bibby (J) 50p	15½pm	-½
15	Nil	-	¾pm	¼pm	‡Cooper Clarke	¼pm	
135	Nil	-	30pm	16pm	Expamet Intl.	17pm	
33	Nil	-	7pm	3½pm	Kenick 10p	3½pm	-2¼
190	Nil	-	43pm	29pm	Lloyds Chemists 5p	30pm	+1
225	Nil	-	23pm	21pm	McAlpine (Alfred)	23pm	
265	Nil	-	28pm	15pm	Mowlem (John)	23pm	+4
75	Nil	-	15pm	6pm	Pressac 5p	7pm	
320	Nil	-	85pm	60pm	Sanderson Murray 50p	82pm	+2
140	Nil	-	20pm	11pm	T & N £1	13pm	+1
200	Nil	-	35pm	28pm	Taylor Woodrow	29pm	-1
32	Nil	-	8pm	4pm	‡Wiltshire Brewery	4pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings: May 7
- Last Dealings: May 24
- Last Declarations: Aug. 8
- For settlement: Aug. 19

For rate indications see end of London Share Service

Calls: Aran Energy, Burton, Brent Walker Prf., Davy Corp., Doctus, Euro. Leisure, Stakis, Tomorrows Leisure. Put & Call: Cityvision, WPP.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*558)	500	61	80	90	9	16	20
	550	31	49	60	31	36	38
	600	13	27	38	65	68	69
ASDA (*112)	110	9	11	14½	4	7	9
	120	4½	7	10	9½	14	13½
	130	2	4	7	19	22	23
Brit. Airways (*165)	140	26	27	31	3	5	6½
	160	9½	16	20	9	13	15
	180	3½	9	10	24	26	27
SmKl Beecham A (*760)	700	76	96	-	7	14	-
	750	41	63	82	20	31	36
	800	18	39	55	52	58	63
Boots (*368)	330	41	51	56	4	7½	10
	360	17	32	38	14½	20	21
	390	6	17½	24	34	35	37
B.P. (*325)	300	29	37	-	4	9	-
	330	12	19	25	15	20	23
	360	4	8½	13	41	42	43
British Steel (*130)	120	12	13	14½	4	5½	6
	130	5	7	8½	10	11	14
	140	1½	3½	5	19	20	21
Bass (*949)	929	53	84	-	24	34	-
	950	-	-	82	-	-	57
	977	30	57	-	52	60	-
C & Wire (*522)	460	71	82	-	4	11	-
	500	40	56	68	13	23	29
	550	12	30	41	42	49	55
Courtaulds (*391)	360	35	47	56	7	11	14
	390	16	29	38	19	24	27
	420	6½	17	25	42	44	46
Com. Union (*498)	460	50	57	-	5	12	-
	500	24	34	45	18	28	30
	550	6½	15	27	55	60	62
Fisons (*465)	420	58	73	84	3½	7	10½
	460	29	45	57	14	19	23
	500	11	25	36	38	42	44
GKN (*335)	300	45	49	-	3	9	-
	330	23	28	39	10	20	22
	360	9	16	25	30	37	40
Grand Met. (*779)	750	58	76	93	14	26	32
	800	28	49	64	37	48	55
	850	11½	29	45	75	79	85
I.C.I (*1194)	1100	130	147	179	12	29	34
	1150	93	115	147	24	45	53
	1200	61	87	117	45	64	67
Kingfisher (*490)	460	39	53	65	12	19	23
	500	18	32	45	30	38	41
	550	5	16	25	72	74	75
Ladbroke (*273)	260	25	35	39	6½	13	15
	280	13	23	26	16	21	23
	300	7	15	18	30	34	36
Land Secur (*527)	500	33	42	50	11	15	20
	550	6	17	26	45	47	50
	600	1½	6	-	92	93	-
M & S (*253)	240	17	26	32	5½	8	11
	260	7	14	21	16½	18	22
Sainsbury (*384)	360	31	43	52	7	10	13
	390	13	25	34	20	22	25
Shell Trans. (*502)	500	31	40	48	14	24	27
	550	8	18	28	50	53	55
Storehouse (*110)	110	6	10½	13	8	8½	11
	120	3	7	9	15	16	18
Trafalgar (*257)	240	20	33	37	10	15	21
	260	10	19	26	21	25	33

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Utd. Biscuits (*365)	360	23	32	40	11	17	20
	390	7½	17	25	30	32	36
Unilever (*714)	700	45	67	82	14	22	25
	750	17	37	54	42	46	50
Ultramar (*310)	300	23	32	42	7	13	16
	330	9	18	25	26	27	30
Option		**May**			**May**		
Elec. Pkg. (*£2070)	1850	300	-	-	20	-	-
	1900	280	-	-	20	-	-
Southern Elec (*202)	180	23	-	-	1¼	-	-
	200	7	-	-	4	-	-
Option		**May**	**Aug**	**Nov**	**May**	**Aug**	**Nov**
Brit Aero (*607)	600	18	50	60	10	23	32
	650	2½	24	34	46	53	58
BAA (*439)	420	24	38	52	3	16	19
	460	3	17	30	24	37	40
BAT Inds (*685)	650	41	55	63	3	19	26
	700	8½	30	39	20	43	56
BTR (*379)	360	22	38	44	1½	8	14
	390	3½	19	26	15	22	28
Brit. Telecom (*363)	360	9	21	31	4½	15½	18
	390	1	8	16	28	36	38
Cadbury Sch (*359)	330	33	45	52	1	5	8
	360	8½	25	33	7	15	20
Eastern Elec (*176)	160	19	23	24	1	7	10½
	180	3½	10	12	6	21	23
Guinness (*936)	900	44	80	97	3	16	24
	950	11	47	67	21	35	43
GEC (*193)	180	3½	10	12	6	21	23
	200	1	3	4	27	37	38
Hanson (*218)	200	19½	24	29½	½	3	5½
	220	4	11	17½	5	11	13
LASMO (*335)	330	15	30	42	6	14	21
	360	4	15	24	30	33	38
Lucas Inds (*157)	140	18	25	28	1½	4	6½
	160	4	11	18	7	13	16
P. & O. (*575)	550	30	53	58	3	15	24
	600	4	26	34	28	40	49
Pilkington (*180)	160	23	26	30	1	5½	10
	180	5½	13	20	5	17	19
Prudential (*224)	220	7	18	22	4	9	12
	240	3	10½	13	18	21	23
Racal (*226)	220	10	20	29	3	13	16
	240	2	12	19½	16	24	26
R.T.Z. (*520)	500	25	49	57	3½	13	20
	550	3	23	33	33	38	44
Scot. & New (*387)	360	29	41	48	1½	8½	12
	390	8	21	30	9	24	25
Tesco (*283)	280	9	22	28	2½	8½	10½
	300	2	10½	16	19	20	23
Thames Water (*312)	300	16	24	28	2½	12	16
	330	1½	9	13	20	32	34
Option		**Jul**			**Jul**		
STC (*320)	280	-	-	-	¼	-	-
	300	-	-	-	¼	-	-
Option		**Jan**	**Sep**	**Dec**	**Jan**	**Sep**	**Dec**
Abbey Nat. (*265)	260	14	21	29	5½	10	12
	280	4½	11½	19	17	21	23
Amstrad (*73)	70	7	11	13½	1¼	5	6½
	80	2	6	9	8	10½	12½
Barclays (*438)	420	33	45	51	7	18	25
	460	11	24	31	29	38	42

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Blue Circle (*252)	240	20	30	37	5	11	14
	260	8½	18	26	15	22	24
British Gas (*235)	220	20	24	26	2	8	10
	240	6½	11	16	8½	18	20
Dixons (*192)	180	17	22	28	4	9	11
	200	6½	12	16½	12½	20	22
Eurotunnel (*465)	460	33	57	77	20	37	43
	500	16	38	55	47	58	65
Glaxo (*1072)	1050	54	92	110	19	39	47
	1100	28	64	84	43	62	70
Hawker Sidd. (*560)	550	23	45	57	27	37	47
	600	6	25	37	62	67	77
Hillsdown (*243)	240	8½	19	24	11	14	18
	260	2½	10½	16	27	28	30
Lonrho (*254)	240	21	26	32	4	9½	11
	260	7½	14	21	12	18	22
Midland Bk (*216)	200	24	27	34	3	8½	12
	220	10	16	24	14	19	22
National Power (*135)	130	10	12	16	3½	9	10½
	140	5	7½	11	9	15	16
Reuters (*808)	800	40	70	101	24	42	50
	850	19	47	72	53	68	75
R. Royce (*157)	140	20	25	28	1	3½	5
	160	6	12	16	7	11	14
Sears (*88)	80	9	10	12	2¼	4	4½
	90	2	4½	6½	8	9	10
THF (*267)	260	10	20	26	9	15	17
	280	3½	12	15	24	26	28
Thorn EMI (*716)	700	35	46	55	13	36	40
	750	11	21	34	40	67	69
TSB (*147)	140	11	14	18	2	6	6
	160	2	5½	8½	15	17	18
Vaal Reefs (*$61)	60	7	9	11½	5	8	10
	70	2½	6	-	11	15	-
Wellcome (*587)	550	50	75	87	10	21	28
	600	21	45	59	31	42	50

EURO FT-SE INDEX (*2456)

	2375	2425	2475	2525	2575	2625	2675	2725
CALLS								
May	93	52	22	8	2	1	19	-
Jun	116	79	49	29	16	8	4	2
Jul	-	105	-	52	-	22	-	7
Sep	-	153	-	91	-	53	-	27
Dec	-	205	-	145	-	100	-	70
Mar	-	250	-	198	-	140	-	100
PUTS								
May	9	21	42	76	120	168	162	-
Jun	25	37	57	86	121	162	207	253
Jul	-	51	-	97	-	162	-	245
Sep	-	65	-	102	-	159	-	232
Dec	-	87	-	120	-	170	-	225
Mar	-	108	-	145	-	185	-	215

FT-SE INDEX (*2456)

	2350	2400	2450	2500	2550	2600	2650	2700
CALLS								
May	115	71	35	14	4	1½	½	½
Jun	138	100	66	40	23	11	6	3
Jul	159	123	90	64	44	28	17	11
Aug	177	141	109	83	60	43	30	19
Dec †	-	210	-	150	-	100	-	68
PUTS								
May	5½	13	29	58	100	150	200	250
Jun	18	31	49	76	112	154	200	250
Jul	32	45	64	88	120	159	203	251
Aug	39	54	73	97	136	163	203	250
Dec †	-	80	-	125	-	183	-	258

May 15 Total Contracts 25,602
Calls 15,173 Puts 10,429
FT-SE Index Calls 4,536 Puts 3,800
Euro FT-SE Calls 165 Puts 286
*Underlying security price. † Long dated expiry months. Premiums shown are based on offer prices.

Upstream strength vies with weak demand and low oil prices

Gas prices lift Ultramar to £31m

By Deborah Hargreaves

ULTRAMAR, the diversified UK oil and gas company, reported a jump in first quarter profit from £6.3m to £30.8m, *after the effects of stock gains* and losses were stripped out. The company has changed its accounting method to include these replacement cost figures.

But it suffered a stock loss of £28.5m, compared with a stock gain of £11.9m, leading to a decline in historic cost profits from £18.2m to £2.3m.

While Ultramar expects oil prices to be lower on average this year than last, it hopes to offset this by increased production of oil and gas.

Output of liquid natural gas increased in Indonesia during the quarter. Some 54 cargoes were delivered, up from 43, largely as a result of a contract to supply Taiwan. Mr Peter Raven, finance director, said the company expects to deliver 190-200 cargoes of gas this year, compared with 176 in 1990.

However, production at the Canadian and Californian oil refineries were effected by the North American recession. Product sales fell from 130,000 to 123,600 barrels a day.

Canadian operations, were particularly badly affected and lost £1.9m in the quarter, compared with profit of £20.5m.

Overall, downstream business reported a loss of £3.8m compared with a profit of £19.2m.

These figures reflected a loss on stocks of £16.9m, against a stock profit of £10m in the first quarter of 1990.

Exploration and production operations in Indonesia, the UK, the Netherlands and the US increased profit from £16.1m to £21.5m, as gas prices, which typically lag oil prices by about 6 weeks, remained high.

Overall group production rose by about 9 per cent to 24,600 barrels of oil and 577m cu ft of gas per day – equal to 120,800 b/d. Mr Raven said he expected output to rise by just under this rate for the whole of this year.

Sales revenue in the three months fell to £450.7m (£470.1m) and earnings per share dropped to 0.6p (5p).

Contracts for the construction of production platforms for Ultramar's Markham gas development in the North Sea were awarded in March and gas is expected to flow in October 1992 when it will be among the first UK gas sold to continental Europe.

Elliott adjusted to recessionary conditions

By Clare Pearson

B ELLIOTT, the machine tool and engineering group, is lifting its final dividend by nearly 10 per cent to 3.4p even though pre-tax profits fell from £7.63m to £6.52m in the year to end-March.

Elliott held the dividend at 1.25p at the interim stage, when pre-tax profits had climbed by nine per cent to £3.33m.

It warned a year ago that markets would deteriorate, and in November set in train big cost-reductions.

Closure of sites and some 400 redundancies, saving £11m per annum in running costs, were reflected in exceptional and extraordinary charges of £1.9m and £4.6m respectively.

Mr Michael Frye, chairman, said recession had hit the company so hard that, in machine tool merchanting, demand had come to a complete standstill at one point over the winter months.

The pre-tax line was struck after an exceptional credit of £741,000. That included a £1.43m profit from property and £1.45m of technology sold to IMC Magnetics, part of the Japanese Minebea Group, with which one of Elliott's electrical engineering companies has formed a joint venture.

Turnover was £136.13m (£124.81m). Shares issued to pay for Garryson and other acquisitions depressed earnings per share, which worked through at 7.8p (12p) fully-diluted.

● **COMMENT**

Mr Frye has quite a following in the smaller company's fraternity, so that over the last few years *he has been able to* finance Elliott's emergence from its loss-making past by issuing sizeable amounts of stock. Still, though the earnings line looks a little forlorn, nobody could complain about the dividend increase,s which means the shares are currently providing an undeniably attractive yield of just over 8 per cent. With different markets sending conflicting signals at the moment, the company readily admits the outlook is extremely hard to call. But the impressive cost-reductions achieved already mean that pre-tax profits should move ahead to £9m this year, even if *demand does not go up. The* prospective p/e is around 7.5 and another modest dividend increase is in sight, while admiration for Mr Frye's management remains undented. Clearly, the shares have their attractions.

Scheme for LUI creditors gets go-ahead

By Raymond Hughes, Law Courts Correspondent

FOUR COMPANIES in the London United Investments insurance group, which collapsed last year, can go ahead with a proposed scheme of arrangement with their creditors as a result of a High Court ruling yesterday. They believe the scheme will be more beneficial to creditors than a liquidation.

Kingscroft Insurance Company, El Paso Insurance Company, Lime Street Insurance Company and Mutual Reinsurance Company are all insolvent. Claims against them total £351m and their assets amount to £258m.

In a ruling that confirmed received opinion among insurers and their lawyers as to the correct interpretation of the 1985 Insurance Companies (Winding-up) Rules, Mr Justice Hoffmann held that if an insurance company goes into liquidation a contingent creditor – one with a claim not due for payment at the date of winding-up – can recover in the *liquidation*.

That interpretation had been argued for by the companies and their creditors.

Mr Richard Calnan, of Norton Rose, the companies' solicitors, said later that the terms of the scheme were still being discussed with major creditors and the Policyholders Protection Board. Its purpose was to enable the companies to run off their business in the normal way and pay a percentage of the claims.

Mr Justice Hoffmann said the feasibility of the scheme depended on the participation of the board, which had a discretion to give assistance to a company in financial difficulties. It could not do so if the cost would be greater than on a liquidation.

The board, therefore, needed to know the extent of its liabilities to policyholders on a *liquidation* and *the principles* upon which those liabilities should be valued were contained in the 1985 winding-up rules.

The judge rejected a narrower interpretation of the rules put forward by the Association of British Insurers at the request of the Board, which had taken a neutral stance.

He said the effect of the narrower view was to eliminate the great bulk of the *companies' liabilities, with the result that,* having gone into insolvent liquidation, they would emerge substantially solvent, with a healthy surplus for their shareholders, while policyholders would be left entirely without the cover for which they had contracted.

Reduced Exchequer levy helps lift TV-am

By Jane Fuller

TV-AM, the USM-quoted breakfast television company, reported an 8 per cent rise in pre-tax profit yesterday – the day on which it submitted its bid to retain the *ITV* franchise.

Taxable profit advanced from £24.04m to £26m on turnover up nearly 11 per cent to £89.4m (£80.83m) in the 12 months to January 31.

TV-am maintained its 72 per cent share of the breakfast audience with 15.7m viewers a week and saw advertising revenue *increase by 5 per cent to* £88.4m (£80.6m) in an otherwise flat market. The sale of airtime in Channel 4's early-morning service grew from £5m to £8.9m.

The pre-tax profit figure was, however, helped by a £1.34m increase in investment income to £6.34m and by a £2.1m cut in the Exchequer *levy to £11.3m.* TV-am has been one of the few not to suffer a big increase in this payment.

Mr Bruce Gyngell, chairman and managing director, said that investment in TV-am's independent news operation had paid off during the Gulf War, with a record audience of 20.1m in the first week. Regional coverage at home had benefited from further investment in new television centres at Bradford, Peterborough and Cardiff.

Earnings per share improved *to 24.9p (23.1p). An* increased final dividend of 10p makes a total of 14p (10p).

The share price rose 5p to 183p.

● Rival bidders for the franchise are Daybreak – which includes ITN, Carlton, MAI and the Daily Telegraph – and Sunrise, involving LWT, Scottish TV and the Guardian.

ITV franchise bids, Page 10

ACT advances 58% to £12.7m and makes £27.4m acquisition

By Alan Cane

ACT, the Birmingham-based computer services company which last year made £39m selling its hardware manufacturing arm to Mitsubishi of Japan, yesterday announced its first take-over bid since that disposal.

It has made an agreed £27.4m cash and shares offer for Quotient, a financial software house in which it already holds a 13.1 per cent stake. Acceptances of the bid means it now speaks for 41.2 per cent. Quotient's shares rose 65p to 183p on the news; ACT's fell 4p to 101p.

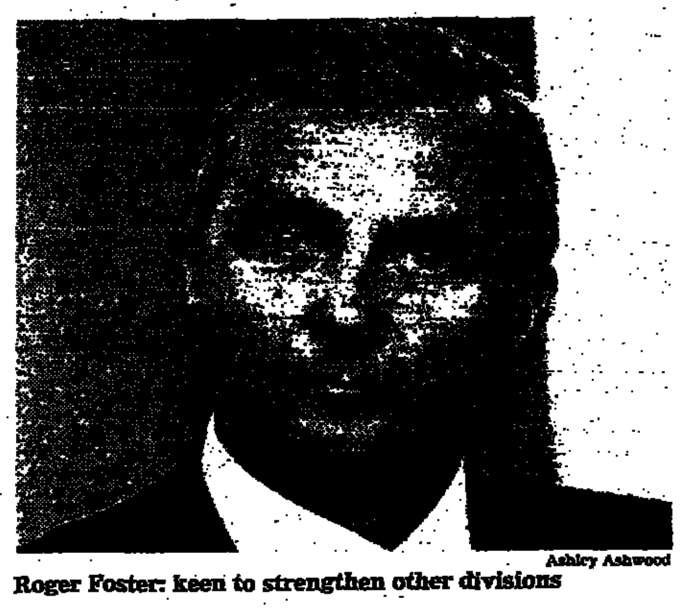
ACT also announced its results for the year to end *March 1991, showing pre-tax* profit up 58 per cent to £12.71m (£8.03m). Earnings per share rose 34 per cent to 9.5p (7.07p) and the dividend is set at 3.75p a share, up 67 per cent on the previous year's 2.25p.

If, as seems likely, the Quotient acquisition goes through, it will be third time lucky for ACT. It made its first approach to *Quotient* in 1983 and tried again two years ago. Quotient's willingness to be acquired this time is the result of the decision made last November by founder and chairman Mr Tim Simon to leave the company to pursue fresh interests.

He said yesterday that the dramatic changes which were reshaping the computer industry had led to disagreements within Quotient over corporate strategy. He had decided it would be in the best interests of the company if he left to develop his ideas further elsewhere.

Since then he and the board had been investigating ways to secure Quotient's future. There had been many approaches, but he believed there was powerful industrial logic in a merger with ACT.

Terms of the offer are one ACT share plus 98p cash for each Quotient share, valuing *them at 200p. A cash alternative* equivalent to 190p – which has been fully underwritten – will be provided.



Ashley Ashwood

Roger Foster: keen to strengthen other divisions

Mr Roger Foster, chairman of ACT, said that after the purchase his company would be left with net cash of about £15m to pursue further acquisitions. He estimated that the *bid for Quotient would cost* some £12m in cash terms – Quotient had cash reserves of about £3m.

It was unlikely ACT would be looking for further purchases in the financial software sector but he was keen to strengthen its other divisions, including healthcare information systems.

Quotient, formerly CCF, is one of the UK's leading stock processing companies. It was hard hit by the downturn in the stock processing volumes, but recovered from losses in 1989 to make pre-tax profits of £1.02m on sales of £22.44m in 1990.

Mr Foster believed the company was more profitable than the figures *suggested:* "Quotient has been investing heavily on research, development, international developments and quality control". It had been selected by Fujitsu of Japan to develop an advanced securities trading system. Mr Foster did not think the Fujitsu contract would affect *ACT's close relationship with* Mitsubishi.

Analysts yesterday agreed there was sound logic in a merger between the two. It would create a financial services software group of several hundred people with offices in London, New York, Paris, Tokyo, Sydney and Frankfurt.

ACT sales were £99m last year, *a 66 per cent increase on* the year before if the contribution of the hardware division was discounted. All the company's divisions were performing strongly and Mr Foster thought revenues would be about £125m this year, with 80 per cent of sales coming from packaged software. Analysts are pencilling in pre-tax profits of £15.5m -£15.8m for the year.

15 Hill Samuel directors to go in strategy review

By David Waller

FIFTEEN out of a total of 70 directors of Hill Samuel, the loss-making merchant bank within the TSB Group, are being made redundant or obliged to take early retirement, it emerged yesterday.

The redundancies *follow* a review of Hill Samuel's strategy undertaken by Mr Hugh Freedberg, the former head of TSB's investment and insurance services division who was appointed chief executive of Hill Samuel in March.

In a separate development, Hill Samuel announced yesterday that Mr Bay Green is leav*ing his post as head of the cor*porate finance department to rejoin Kleinwort Benson, where he worked for 17 years before spending three years at Hill Samuel.

Mr Green is to be replaced by Mr Richard Heley, who was a director of corporate finance at BZW for three years and managing director of UK corporate finance for Citicorp in 1889-1990 before returning to Hill Samuel.

Of the 15 departing directors, most work in London and all are on the mainstream corporate banking side, rather than corporate financiers.

"We are beginning to get a grip on the operation, as we need to do in order to implement our strategy," Mr Freedberg said yesterday, "as a result of which a small number of senior people are having to leave."

The bank, bought by TSB for *£777m in 1987, lost £40m in the* last financial year as a result of provisions.

Mr Freedberg plans to turn Hill Samuel into the commercial banking arm of the TSB, concentrating on business with medium-sized companies – those with turnover of between £1m and £150m.

Fairway plans £2.3m purchase

Fairway (London) plans to acquire *Greater London* Supplies, distributor of educational supplies to schools in the greater London area, for £2.3m.

A 1-for-1 rights issue, to raise about £6m, is proposed to fund the acquisition and increase working capital. The 14.61m ordinary *shares* are 44p *each*.

USM-quoted Fairway supplies stationery for the freight industry and provides print finishing services. It expects dividends for 1991 to at least equal last year's 3p.

Avon gloomy on prospects as profits dip 26%

By Roland Rudd

Avon Rubber, the car components and tyre manufacturer, yesterday warned that the UK recession would continue to affect its business as it reported a 26 per cent fall in taxable profits for the six months to March.

The group blamed one of the toughest half years on both sides of the Atlantic for the fall in pre-tax profits from £4.84m to £3.58m on a slightly increased turnover of £114.22m.

Inflatables were the worst hit part of the group, reporting a loss of £703,000 compared with an operating profit *of £66,000,* while Cadillac's operating profit fell from £1.2m to £421,000.

Industrial Polymers reported the only good news with profits up from £3.7m to £5.4m.

Borrowings were reduced to £35m (£46m), representing 56 per cent of shareholders funds.

The interim dividend of 5p per share is maintained, but earnings per share fell from 13.7p to 8.5p.

Chancery talks with creditors to continue

Creditors of Chancery, the troubled banking and financial services group, yesterday voted to continue talks with Price *Waterhouse, the accounting* firm appointed as administrators, writes Richard Gourlay.

Chancery, best known for sponsoring *tax* shelter investments under the Business Expansion Scheme through subsidiaries, called in administrators in February after over-lending to the property sector.

The creditors have agreed to allow Price Waterhouse to continue talking to shareholders, banks, local authorities and building societies. The accounting firm would seek the provision of new capital, *debt to equity conversions and* a rescheduling of deposits and bank lines.

Chancery owes other institutions some £130m and has lent customers about £140m, before provisions. More than 60 per cent of the loans are to the property sector.

Mr Colin Bird, joint administrator, said the preferred strategy was *to seek a "purely con*tractual agreement" with large creditors.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ACT Group ....fin	2.5	Aug 12	1.5	3.75	2.25
Allied Irish Bks..........fin	4.25♣	July 11	4.25	7.75†	7.5
Avon Rubber ....int	5	July 1	5	-	16.5
Baris Holdings §.......fin	4.6	July 1	3.75	6.6	3.75
Brit Invest Tst ....fin	13	July 22	12.5	22.5	21.5
Concentric ....int	3.54	July 1	3.37	-	11
Countryside Prop......int	1.41	Sept 5	1.41	-	4.11
Diploma ....int	2.25	July 1	2.25	-	8.5
Elliott (B) ....fin	3.4	Aug 1	3.1	4.65†	4.35
Jermyn Invest ....fin	3	June 22	3	3	3
Richards ....int	1.07	July 1	1.07	-	4
Sainsbury (J) ....fin	5.25	July 29	4.35	7.35	6.1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency.

UK COMPANY NEWS

Taking account of the prize

David Waller looks at disputed figures in Coats' bid for Tootal

EVER SINCE Coopers & Lybrand attacked BTR's profit record during the middle of the conglomerate's battle for Pilkington in January 1987, it has been customary for those engaged in takeover battles to attack each others' accounting.

Given the subjectivity inherent in all accounting, and the ease with which ingenious finance directors and merchant bankers can manipulate the numbers to demonstrate the irrefutable logic of whatever case they are trying to prove, this is not surprising.

Acrimony over accounting issues has flared up in Coats Viyella's increasingly bitter battle for control of the Tootal textile group, the outcome of which will be decided tomorrow, the final closing date for the £252m offer.

Coats began the onslaught when, in its offer document, posted to Tootal shareholders in the first week of March, it condemned what it described as Tootal's "improper" accounting.

Tootal hit back earlier this month with its own analysis of the effects of rampant Brazilian inflation on Coats' reported profits from South America.

Coats' criticisms focus on the way Tootal accounted for two recent disposals. First, the company concluded a phased sale of its 49.8 per cent stake in Da Gama Textile Company in February 1989, for a total of £25m in five equal tranches. Second, Tootal sold off Sandhurst Marketing for £4.2m, having paid £25.3m for it in December 1986.

Neville Bain: criticises how Tootal accounted for disposal

The criticism of the first disposal was that Tootal treated the gain on the sale of the Da Gama stake as if it were an ordinary trading item, and that it took credit for profits arising from Da Gama even after it ceased to have any real financial interest in the company.

Here Coats is supported by analysts from UBS Phillips & Drew who used the Da Gama transaction to show how a company can use corporate disposal gains to boost pre-tax profits in "Accounting for Growth", a report published earlier this year which looks at creative accounting in the 1980s.

Mr Neville Bain, chief executive of Coats, is scornful of the way Tootal accounted for the disposal of Sandhurst. Although bought for £25.3m and sold for £4.2m, Tootal managed to book a profit of £3.5m on disposal, for the reason that £20.9m of the original purchase price was goodwill written off against reserves. The profit on disposal was calculated as the surplus over the (much-reduced) book value of the company.

Coats argues that as a result of these two transactions, Tootal's earnings per share were overstated by 44 per cent in the year to the end of January 1990.

The attack on Coats centres on the way it accounted for its South American businesses, which generated some 27 per cent of the company's total pre-tax profits between 1987-1990.

Using the services of KPMG Peat Marwick McLintock, the accountancy firm, Tootal's latest document takes a hatchet to the profits made by Linhas Corrente, Coat's Brazilian subsidiary.

Tootal says that under US accounting rules – arguably the toughest in the world – profits from Linhas amounted to a mere £16m in the four years from 1987 to 1990, compared with Coat's reported profits from South America of £158m over the period. Linhas ought to have contributed up to half of this, and Tootal is drawing attention to the discrepancy.

Both sides have their answers to the criticism. Mr Russell Walls, Coats' finance director, is contemptuous of Tootal's analysis of its South American operations, saying that the other side had failed to dig up all the relevant documents, and that the dividend the parent received from its Brazilian subsidiary was far higher than any figure quoted in the Tootal document.

Mr David Williams, finance director of Tootal, says that the accounting treatment of the two disposals was spelt out in the company's annual report for all to see. "Our accounts have never been anything other than true and fair," he scoffs.

NEWS DIGEST

Richards plunges to £495,000

THE SEVERE downturn in the UK carpet market and, to a lesser extent, the poor showing of the Irish linen business, made inroads into the profitability of Richards.

For the half year ended March 31 1991 the pre-tax balance plunged from £1.7m to £495,000, on turnover slightly ahead to £37.95m (£37.47m).

It was likely that adverse conditions would continue until the autumn, said Mr Brian Gilbert, the chairman. But he remained confident there was considerable potential for profitable growth within the operating companies.

The interim dividend is held at 1.07p from earnings of 1.71p (5.07p).

There was an extraordinary charge of £136,000 covering withdrawal from the "fiercely competitive" machine knitting yarn market. In addition, £250,000 was spent on rationalisation and reorganisation.

Some £1.5m was spent on new plant and equipment in the period. Since then all of Courtaulds Textiles carpet yarn spinning plant had been purchased, following its withdrawal from the market.

BIT asset value recovers to 796p

A strong recovery in the second half gave shareholders in British Investment Trust a net asset value of 796p at March 31 1991.

Six months earlier it was only 617p, compared with 756p at end-March 1990.

In the second half the switching of the proceeds of the £75m debenture issue of 1989 to equities began; £29m remained in short-dated government bonds at the year-end.

The year 1990-91 produced income of £31.16m, a 23 per cent increase over the previous £25.35m, and earnings per share rose 13 per cent to 25.7p (22.8p). The final dividend is 13p for a total of 22.5p (21.5p).

Switching of the debenture will reduce income in the short term and could result in earnings falling short of this year's dividend level. Any shortfall, however, will be made up from reserves.

BIT is managed by Edinburgh Fund Managers, and has total assets of £574.3m.

Jermyn Investment £268,000 midterm

Jermyn Investment, a share and property investor, made a pre-tax profit of £268,000 in 1990. That compared with £1.69m which included a large exceptional profit.

This year the company has released £98,000 from the provision against investments; £131,000 was provided last time.

Earnings came to 3.51p (50.68p) and the ordinary dividend is again 3p. The convertible preference dividend cost £112,500 following the £3m issue to Drayton Consolidated Trust.

At the year-end the group had £1.5m on deposit and listed investments valued at £700,000.

Development projects in Douglas, IoM, and St Peter Port, Guernsey, were being completed within schedule. The completion and leasing of those was "important to the future of the group", the directors stressed.

The rent review at Blythswood Street, Glasgow, had been finalised, after arbitration.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 16.05.91: Pool purchase price £/MWh	Final Prices for Trading on 18.04.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.51	16.16	16.16
0100	16.51	16.12	16.12
0130	16 51	17.06	17.06
0200	16.51	24.43	26.38
0230	16 51	24.43	26.38
0300	16 51	24.43	26.40
0330	16.51	18 00	18.00
0400	16.51	16.88	16.88
0430	16.51	16.28	16.28
0500	16 47	16.18	16.18
0530	16 51	16.20	16.20
0600	16.51	16.20	16.20
0630	16.51	17.06	17.06
0700	17.06	20.17	22 05
0730	21 04	20.69	22.61
0800	22.29	26 81	29.62
0830	22.95	28.71	31.76
0900	23 46	30.16	33.61
0930	22.83	28.56	31.60
1000	22.64	27 61	30.45
1030	22.53	26.71	29.36
1100	22.57	26.26	28.79
1130	23.15	26.39	28.97
1200	23.56	26.31	28.86
1230	23.14	25.62	28.01
1300	22.23	24.58	26.73
1330	21 35	23.72	25.69
1400	21.15	22.96	24.88
1430	17.49	22.28	24.20
1500	21 04	22.28	24.19
1530	21.05	23.49	25.43
1600	21.08	23.51	25.45
1630	21.16	24.07	26.02
1700	21.16	24.08	26.03
1730	21.13	24.04	25.98
1800	21.05	23.98	25.92
1830	20 96	20.17	22.04
1900	19.04	20.00	21.86
1930	19.03	19.85	21.70
2000	16.70	19.83	21.71
2030	16.51	23.84	25.79
2100	17.08	23.84	25.76
2130	20.98	23.84	25.76
2200	20.96	23.83	25.77
2230	19 00	19.83	21 69
2300	16.57	19 52	21.38
2330	16.57	16.88	16.88
2400	16.51	16.20	16.20

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

IMI Bank (International)

NOTICE

to the holders of the outstanding
Yen 7,000,000,000 Guaranteed Zero Coupon Bonds Due 1992

of

IMI Bank (International)

unconditionally and irrevocably guaranteed by

Istituto Mobiliare Italiano

This notice is issued in connection with the forthcoming transformation of Istituto Mobiliare Italiano ("IMI") into a Società per Azioni ("S.p.A."), an Italian limited company. The transformation is to take place under the framework established by a law passed on 30th July, 1990 (the "Amato Law") for the restructuring of the public banking and credit system in Italy.

In connection therewith IMI Bank (International) (the "Issuer") is convening a Meeting of the Bondholders by the *Notice below to request their agreement by* Extraordinary Resolution to the proposed modification to the events of default contained in the Terms and Conditions of the Bonds referred to in such Notice.

Full details of the Amato Law and the transformation are contained in an Information Memorandum prepared by IMI dated 16th May, 1991, copies of which are available to Bondholders at the offices of the paying agents (the "Paying Agents") specified below.

NOTICE OF MEETING

Notice is hereby given that a Meeting of the holders of the above Bonds (the "Bonds" and the "Bondholders" respectively) convened by the Issuer will be held at *Barrington House, 59-67 Gresham Street, London EC2V 7JA on 7th June, 1991 at 11.00 a.m. (London time)* for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 27th October, 1987 made between the Issuer, IMI as Guarantor and Bankers Trustee Company Limited as trustee for the Bondholders.

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding Yen 7,000,000,000 Guaranteed Zero Coupon Bonds Due 1992 (the "Bonds") of IMI Bank (International) (the "Issuer") constituted by the Trust Deed dated 27th October, 1987 (the "Trust Deed") made between the Issuer, Istituto Mobiliare Italiano ("IMI") as Guarantor and Bankers Trustee Company Limited (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders") hereby:-

(1) assents to the modification of the Terms and Conditions of the Bonds as printed on the reverse of them and in Schedule 1 to the *Trust Deed by the deletion of* Condition 8(j) thereof;

(2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Bondholders against the Issuer or IMI involved in or resulting from the modification referred to in paragraph (1) of this Resolution; and

(3) authorises and requests the Trustee to concur in the modification referred to in paragraph (1) of this Resolution and, in order to give effect to it, forthwith to execute a Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of it with such amendments (if any) to it as the Trustee shall require

PROVIDED THAT each such assent, sanction, authorisation and request is conditional upon the formal approval of the transformation of IMI into a Società per Azioni being given, to the satisfaction of the Trustee, by each of the following (to the extent the same have not been given prior to the meeting of Bondholders):-

(a) the Board of Directors of IMI
(b) the stockholders of IMI at a general meeting
(c) the Minister of the Treasury of Italy."

The attention of Bondholders is *particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.*

Copies of the Trust Deed (including the Terms and Conditions of the Bonds) and the draft Supplemental Trust Deed referred to in the Extraordinary Resolution set out above will be available *for inspection by Bondholders at the specified offices of the Paying Agents set out below.*

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modification but has authorised IMI to state that the Trustee, on the basis of the information contained in an Information Memorandum dated 16th May, 1991, has no objection to the Extraordinary Resolution being submitted to the Bondholders for their consideration.

VOTING AND QUORUM

1 A Bondholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Bonds, or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Bonds in respect of which he wishes to vote.

A Bondholder not wishing to attend and vote at the Meeting in person may either deliver his Bonds or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Bonds may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euroclear System or any other person approved by it, for the purpose of obtaining voting certificates, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting), giving voting instructions in respect of the relative Meeting. Bonds so deposited or held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

2 The quorum required at the Meeting is two or more persons present in person holding Bonds or voting certificates or being proxies and holding or representing in the *aggregate a clear majority in principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed). If within 15 minutes from the time fixed for the* Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 28 days nor more than 42 days, and to such time and place, as *may be appointed by the Chairman of the Meeting. At such adjourned Meeting the quorum shall be two or more persons present in person holding Bonds or voting* certificates or being proxies whatever the principal amount of the Bonds so held or represented.

3 Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by one or more persons holding one or more Bonds or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth in principal amount of the Bonds for the time being outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have *one vote. On a poll every person who is so present shall have one vote in respect of each Yen 10,000,000 principal amount of Bonds so produced or represented by* the voting certificate so produced or in respect of which he is a proxy.

4 To be passed the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Bondholders, whether or not present at such Meeting and whether or not voting, and upon all the holders of the coupons relating to the Bonds.

PRINCIPAL PAYING AGENT
Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE

PAYING AGENTS
Banque Indosuez Luxembourg, 39 Allée Scheffer, L-2520 Luxembourg
Swiss Bank Corporation, Aeschenvorstadt 1, CH-4002 Basle, Switzerland
Banque Indosuez Belgique S.A., Rue des Colonies 40, B-1000 Brussels, Belgium

IMI Bank (International) — **16th May, 1991**

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

IMI Bank (International)

NOTICE

to the holders of the outstanding
ECU 100,000,000 7¾ per cent. Guaranteed Notes Due 1992

of

IMI Bank (International)

unconditionally and irrevocably guaranteed by

Istituto Mobiliare Italiano

This notice is issued in connection with the forthcoming transformation of Istituto Mobiliare Italiano ("IMI") into a Società per Azioni ("S.p.A."), an Italian limited company. The transformation is to take place under the framework established by a law passed on 30th July, 1990 (the "Amato Law") for the restructuring of the public banking and credit system in Italy.

In connection therewith IMI Bank (International) (the "Issuer") is convening a Meeting of the Noteholders by the Notice below to request their agreement by Extraordinary Resolution to the proposed modification to the events of default contained in the Terms and Conditions of the Notes referred to in such Notice.

Full details of the Amato Law and the transformation are contained in an Information Memorandum prepared by IMI dated 16th May, 1991, copies of which are available to Noteholders at the offices of the paying agents (the "Paying Agents") specified below.

NOTICE OF MEETING

Notice is hereby given that a Meeting of the holders of the above Notes (the "Notes" and the "Noteholders" respectively) convened by the Issuer will be held at *Barrington House, 59-67 Gresham Street, London EC2V 7JA on 7th June, 1991 at 10.30 a.m. (London time) for the purpose of considering and, if thought fit,* passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Second Supplemental Trust Deed dated 20th May, 1988 made between the Issuer, IMI as Guarantor and Bankers Trustee Company Limited as trustee for the Noteholders.

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding ECU 100,000,000 7¾ per cent. Guaranteed Notes Due 1992 (the "Notes") of IMI Bank (International) (the "Issuer") constituted by the second supplemental trust deed dated 20th May, 1988 (the "Trust Deed") supplemental to a trust deed dated 27th October, 1987 (the *"Principal Trust Deed") both made between the Issuer, Istituto Mobiliare Italiano ("IMI") as Guarantor and Bankers Trustee Company Limited (the "Trustee")* as trustee for the holders of the Notes (the "Noteholders") hereby:-

(1) assents to the modification of the Terms and Conditions of the Notes *as printed on the reverse of them and in the First Schedule to the Trust Deed by the deletion* of the words "or IMI ceasing to be a public statutory body" *from Condition 11(5) thereof;*

(2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and the holders of the coupons relating to the Notes against the Issuer or IMI involved in or resulting from the modification referred to in paragraph (1) of this Resolution; and

(3) authorises and requests the Trustee to concur in the modification referred to in paragraph (1) *of this Resolution and, in order to give effect to it, forthwith to* execute an Amending Trust Deed in the form of the draft produced to this Meeting *and for the purposes of identification signed by the Chairman of it with such* amendments (if any) to it as the Trustee shall require

PROVIDED THAT each such assent, sanction, authorisation and request is conditional upon the formal approval of the transformation of IMI into a Società per Azioni being given, to the satisfaction of the Trustee, by each of the following (to the extent the same have not been given *prior to the meeting of Noteholders):-*

(a) the Board of Directors of IMI
(b) the stockholders of IMI at a general meeting
(c) *the Minister of the Treasury of Italy."*

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an *adjourned Meeting* which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes), the Principal Trust Deed and the draft Amending Trust Deed referred to in the Extraordinary Resolution set out above will be available for inspection by Noteholders at the specified offices of the Paying Agents set out below.

In accordance with *normal practice the Trustee expresses no opinion on the merits of the proposed modification* but has authorised IMI to state that the Trustee, on the basis of the information contained in an Information Memorandum dated 16th May, 1991, has no objection to the Extraordinary Resolution being submitted to the Noteholders for their consideration.

VOTING AND QUORUM

1 A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Notes in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying *Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.*

Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euroclear System or any other person approved by it, for the purpose of obtaining voting certificates, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting), giving voting instructions in respect of the relative Meeting. Notes so deposited or held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

2 *The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the* aggregate a clear majority in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within 15 minutes from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 28 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting. At such adjourned Meeting the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies whatever the principal amount of the Notes so held or represented.

3 Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by one or more persons holding one or more Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth in principal amount of the Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each ECU 1,000 principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4 To be passed the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Noteholders, whether or not present at such Meeting and whether or not voting, and upon all the holders of the coupons relating to the Notes.

PRINCIPAL PAYING AGENT
Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE

PAYING AGENTS
Bankers Trust Luxembourg S.A., 14 Boulevard F.D. Roosevelt, L-2450 Luxembourg
Swiss Bank Corporation, Aeschenvorstadt 1, CH-4002 Basle, Switzerland

IMI Bank (International) — **16th May, 1991**

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

IMI Bank (International)

NOTICE

to the holders of the outstanding
Yen 10,000,000,000 Floating Rate Guaranteed Notes Due 1993

of

IMI Bank (International)

unconditionally and irrevocably guaranteed by

Istituto Mobiliare Italiano

This notice is issued in connection with the forthcoming transformation of Istituto Mobiliare Italiano ("IMI") into a Società per Azioni ("S.p.A."), an Italian limited company. The transformation is to take place under the framework established by a law passed on 30th July, 1990 (the "Amato Law") for the restructuring of the public banking and credit system in Italy.

In connection therewith IMI Bank (International) (the "Issuer") is convening a Meeting of the Noteholders by the Notice below to request their agreement by Extraordinary Resolution to the proposed modification to the events of default contained in the Terms and Conditions of the Notes referred to in such Notice.

Full details of the Amato Law and the transformation are contained in an Information Memorandum prepared by IMI dated 16th May, 1991, copies of which are **available to Noteholders at the offices of the paying agents (the "Paying Agents") specified below.**

NOTICE OF MEETING

Notice is hereby given that a Meeting of the holders of the above Notes (the "Notes" and the "Noteholders" respectively) convened by the Issuer will be held at Barrington House, 59-67 Gresham Street London EC2V 7JA on 7th June, 1991 at 12.00 noon (London time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 4th January, 1988 made between the Issuer, IMI as Guarantor and The Law Debenture Trust Corporation p.l.c. as trustee for the Noteholders.

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding Yen 10,000,000,000 Floating Rate Guaranteed Notes Due 1993 (the "Notes") of IMI Bank (International) (the "Issuer") constituted by the Trust Deed dated 4th January, 1988 (the "Trust Deed") made between the Issuer, Istituto Mobiliare Italiano ("IMI") as Guarantor and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") hereby:-

(1) assents to the modification of the Terms and Conditions of the Notes as printed on the reverse of them and in the Second Schedule to the Trust Deed by the deletion of the words "or IMI ceasing to be a public statutory body" from Condition 9(5) thereof;

(2) *sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and the holders of the coupons relating to the* Notes against the Issuer or IMI involved in or resulting from the modification referred to in paragraph (1) of this Resolution; and

(3) authorises and requests the Trustee to concur in the modification referred to in paragraph (1) of this Resolution and, in order to give effect to it, forthwith to execute a Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of it with such amendments (if any) to it as the Trustee shall require

PROVIDED THAT each such assent, sanction, authorisation and request is conditional upon the formal approval of the transformation of IMI into a Società per Azioni being given, to the satisfaction of the Trustee, by each of the following (to the extent the same have not been given prior to the meeting of Noteholders):-

(a) *the Board of Directors of IMI*
(b) the stockholders of IMI at a general meeting
(c) the Minister of the Treasury of Italy."

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes) and the draft Supplemental Trust Deed referred to in the Extraordinary Resolution set out *above will be available for inspection by Noteholders at the specified offices of the Paying Agents set out below.*

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modification but has authorised IMI to state that the Trustee, on the basis of the information contained in an Information Memorandum dated 16th May, 1991, has no objection to the Extraordinary Resolution being submitted to the Noteholders for their consideration.

VOTING AND QUORUM

1 A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Notes in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euroclear System or any other person approved by it, for the purpose of (i) obtaining voting certificates, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjourned such Meeting) or (ii) giving voting instructions in respect of the relative Meeting. Notes so deposited or held will not be released until the earlier of (a) the conclusion of the Meeting (or, if applicable, any adjourned such Meeting) and either (b) the surrender of the voting certificate(s) *issued in respect of such Note(s) or (c) the surrender, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjourned such Meeting) is* convened, of the voting instruction receipt(s) given by the relevant Paying Agent in respect of such deposited Note(s) which are to be released or, as the case may be, the Note(s) ceasing with the agreement of the Paying Agent to be held to its order or under its control whereupon, in the case of (c), the Paying Agent will give notice to the Issuer of the necessary amendment to the block voting instruction.

2 The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within 15 minutes from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting and approved by the Trustee. At such adjourned Meeting the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies whatever the principal amount of the Notes so held or represented.

3 Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting, the Issuer, the Guarantor or by two or more persons present holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth in principal amount of the Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each Yen 10,000,000 or such other amount as the Trustee may in its absolute discretion stipulate in principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4 To be passed the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Noteholders, whether or not present at such Meeting and whether or not voting, and upon all the holders of the coupons relating to the Notes.

PRINCIPAL PAYING AGENT
The Long-Term Credit Bank of Japan, Limited, 2-4 Otemachi 1-chome, Chiyoda-ku, Tokyo 100, Japan

PAYING AGENTS
Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels, Belgium
Banque Internationale à Luxembourg S.A., 2 Boulevard Royal, L-2953 Luxembourg

IMI Bank (International) — **16th May, 1991**

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

IMI Bank (International)

NOTICE

to the holders of the outstanding
£100,000,000 9¾ per cent. Guaranteed Notes Due 1993

of

IMI Bank (International)

unconditionally and irrevocably guaranteed by

Istituto Mobiliare Italiano

This notice is issued in connection with the forthcoming transformation of Istituto Mobiliare Italiano ("IMI") into a Società per Azioni ("S.p.A."), an Italian limited company. The transformation is to take place under the framework established by a law passed on 30th July, 1990 (the "Amato Law") for the restructuring of the public banking and credit system in Italy.

In connection therewith IMI Bank (International) (the "Issuer") is convening a Meeting of the Noteholders by the Notice below to request their agreement by Extraordinary Resolution to the proposed modification to the events of default contained in the Terms and Conditions of the Notes referred to in such Notice.

Full details of the Amato Law and the transformation are contained in an Information Memorandum prepared by IMI dated 16th May, 1991, copies of which are available to Noteholders at the offices of the paying agents (the "Paying Agents") specified below.

NOTICE OF MEETING

Notice is hereby given that a Meeting of the holders of the above Notes (the "Notes" and the "Noteholders" respectively) convened by the Issuer will be held at Barrington House, 59-67 Gresham Street, London EC2V 7JA on 7th June, 1991 at 11.30 a.m. (London time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 12th May, 1988 made between the Issuer, IMI as Guarantor and The Law Debenture Trust Corporation p.l.c. as trustee for the Noteholders.

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding £100,000,000 9¾ per cent. Guaranteed Notes Due 1993 (the "Notes") of IMI Bank (International) (the "Issuer") constituted by the Trust Deed dated 12th May, 1988 (the "Trust Deed") made between the Issuer, Istituto Mobiliare Italiano ("IMI") as Guarantor and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") hereby:-

(1) assents to the modification of the Terms and Conditions of the Notes as printed on the reverse of them and in the Second Schedule to the Trust Deed by the deletion of the words "or IMI ceasing to be a public statutory body" from Condition 9(5) thereof;

(2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and the holders of the coupons relating to the Notes against the Issuer or IMI involved in or resulting from the modification referred to in paragraph (1) of this Resolution; and

(3) authorises and requests the Trustee to concur in the modification referred to in paragraph (1) of this Resolution and, in order to give effect to it, forthwith to execute a Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of it with such amendments (if any) to it as the Trustee shall require

PROVIDED THAT each such assent, sanction, authorisation and request is conditional upon the formal approval of the transformation of IMI into a Società per Azioni being given, to the *satisfaction of the Trustee, by each of the following (to the extent the same have not been given prior to the meeting of Noteholders):-*

(a) the Board of Directors of IMI
(b) the stockholders of IMI at a general meeting
(c) the Minister of the Treasury of Italy."

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes) and the draft Supplemental Trust Deed referred to in the Extraordinary Resolution set out above will be available for inspection by Noteholders at the specified offices of the Paying Agents set out below.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modification but has authorised IMI to state that the Trustee, on the basis of the information contained in an Information Memorandum dated 16th May, 1991, has no objection to the Extraordinary Resolution being submitted to the Noteholders for their consideration.

VOTING AND QUORUM

1 A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Notes in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euroclear System or any other person approved by it, for the purpose of (i) obtaining voting certificates, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjourned such Meeting) or (ii) giving voting instructions in respect of the relative Meeting. Notes so deposited or held will not be released until the earlier of (a) the conclusion of the Meeting (or, if applicable, any adjourned such Meeting) and either (b) the surrender of the voting certificate(s) *issued in respect of such Note(s) or (c) the surrender, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjourned such Meeting) is* convened, of the voting instruction receipt(s) given by the relevant Paying Agent in respect of such deposited Note(s) which are to be released or, as the case may be, the Note(s) ceasing with the agreement of the Paying Agent to be held to its order or under its control whereupon, in the case of (c), the Paying Agent will give notice to the Issuer of the necessary amendment to the block voting instruction.

2 The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within 15 minutes from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days, and to such time and place, as *may be appointed by the Chairman of the Meeting and approved by the Trustee. At such adjourned Meeting the quorum shall be two or more persons present in* person holding Notes or voting certificates or being proxies whatever the principal amount of the Notes so held or represented.

3 Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting, the Issuer, the Guarantor or by two or more persons present holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth in principal amount of the Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each £1 or such other amount as the Trustee may in its absolute discretion stipulate in principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4 To be passed the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Noteholders, whether or not present at such Meeting and whether or not voting, and upon all the holders of the coupons relating to the Notes.

PRINCIPAL PAYING AGENT
Union Bank of Switzerland, Bahnhofstrasse 45, CH-8021 Zürich, Switzerland

PAYING AGENTS
Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels, Belgium
Union Bank of Switzerland, 122 Leadenhall Street, P.O. Box 428, London EC3V 4QL
Union de Banques Suisses (Luxembourg) S.A., 36-38 Grand Rue, B.P. 134, L-2011 Luxembourg

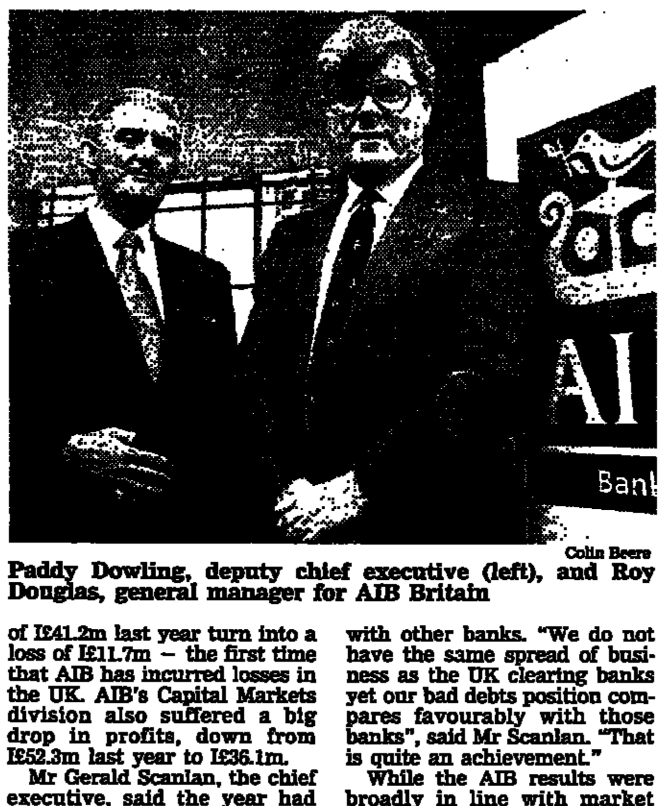
IMI Bank (International) — **16th May, 1991**

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

UK COMPANY NEWS

AIB hit by downturn in UK and US

By Kieran Cooke in Dublin



Colin Beere

Paddy Dowling, deputy chief executive (left), and Roy Douglas, general manager for AIB Britain

ALLIED IRISH BANKS, one of the big two banks in the Republic of Ireland, has announced sharply reduced profits and its highest ever bad debt provisions.

Pre-tax profits for the year ending March 31 1991 were I£178.8m (£161.7m) – a reduction of nearly 25 per cent on the previous year. Bad debt charges for the year reached I£174.1m – a rise of 76 per cent. Group operating profits before bad debt charges were up 5.2 per cent to I£350.8m.

As a result of the drop in profits, earnings per share declined from 25p to 15.2p. AIB is recommending an unchanged final dividend of 4.25p making a total for the year of 7.75p (7.36p).

While AIB's performance in Ireland improved, reflecting continued growth in the domestic economy – pre-tax profits in the Ireland division increased from I£134.8m to I£143.3m – the US and particularly the UK suffered serious downturns.

Profits in the US division – mainly associated with its wholly-owned First Maryland Bank – dropped from I£53.2m last year to I£6.7m, due to bad debts related to real estate and the generally sluggish US banking environment.

The UK division saw a profit of I£41.2m last year turn into a loss of I£11.7m – the first time that AIB has incurred losses in the UK. AIB's Capital Markets division also suffered a big drop in profits, down from I£52.3m last year to I£36.1m.

Mr Gerald Scanlan, the chief executive, said the year had been "difficult and challenging", but felt overall group performance had compared well with other banks. "We do not have the same spread of business as the UK clearing banks yet our bad debts position compares favourably with those banks", said Mr Scanlan. "That is quite an achievement."

While the AIB results were broadly in line with market expectations some analysts were concerned about the bank's ability to deal with the difficult economic conditions ahead, particularly in the UK.

AIB has tended to focus on certain niche markets in the UK – Irish associated businesses such as building groups, pubs and nursing homes – in the hope that this would insulate the bank from the international banking recession. But this small businesses sector has been hard hit by the economic downturn and at present shows no sign of revival.

"It is not a question of treading water in the UK at the moment but of battening down the hatches", said Mr Scanlan.

There is also concern about how long the present buoyancy in the Irish market will last. Domestic GNP growth is forecast to fall sharply this year and Mr Scanlan said that there had already been a drop in lending demand. AIB, together with the Bank of Ireland, dominates banking in the Irish Republic.

Earlier this month AIB announced it was consolidating its position in Northern Ireland with the I£123m purchase of TSB's operations in the province.

In the US the bank is carrying out a due diligence process in preparation for a move on Pennsylvania's York Bank and Trust, which could cost US$150m.

Concentric halved to £2m but sees improvement

By Paul Cheeseright, Midlands Correspondent

CONCENTRIC, the Birmingham-based engineering and components group, recorded its first drop in earnings for ten years in the six months ended March 31 1991.

But with more confidence than most companies in the sector, it is expecting improved results during the second half.

Against what Mr Tony Firth, the chairman, called "a background of slowly improving markets and increased stability," the company is lifting the interim dividend from 3.37p to 3.54p per share. The total for the last financial year was 11p.

Pre-tax profits for the period were £2.02m, less than half the £4.45m achieved in 1989-90, although sales increased from £55.72m to £61.16m. Earnings per share were 6.49p, against 13.42p.

The diversity of Concentric's interests, ranging from valves to pumps and from data logging and telemetry systems to satellite dishes, proved little defence against what the group called "the strong cocktail of the Gulf war, a business recession around the world, a general loss of confidence, a weak dollar and our decision to restructure some of our businesses."

Mr Firth explained that, where production volumes were normally high, reduced demand had led to increased costs.

Further, demand from the petrochemical industry had fallen away because of the Gulf War, "white goods had fallen off the edge in February", the US market had been uncertain and sales to the car industry had been "mixed".

The group believed, however, that the worst of the recession was now over. With greater stability in the markets it should be possible more easily to match resources against demand.

It had been carrying through a lengthy programme to increase productivity and that led to reductions in the payroll from 2,100 to 1,850.

BOARD MEETINGS

TODAY

Interims- Ashley Gp, BOC, Govett American Inv Tst, Thomson Corp, Tomkinsons.

Finals- Allied Partnership, Appleby & Westward, Blaichi Mining, Bank of Ireland, F & C Germany Inv Tst, Fine Art Dev, Fleming European, Jackson Grp, Hartstone, LWT, REA Hldgs, RIT Capital Partners, River & Merc Tst, Time Products, Warner Howard, Yorklyde.

FUTURE DATES

Interims-	
Bett Bros	May 30
Fleming High Inc Inv Tst	May 22
Sidlaw	June 3
Thornton (G.W.)	May 23
Finals-	
Aberdeen Pet	June 3
Donelon Tyson	May 24
Elswick	June 13
Gales (Frank G)	May 29
Gerrard & National	May 23
Locker (Thomas)	June 13
NEC Corp	May 24
Northern Investors Co	June 3
Ocean Wilsons	May 17
Rolfe & Nolan Comp	May 28

Next buys in £4.9m of bonds

Next, the fashion retailer, has bought £4.9m of its 5¾ per cent convertible bonds for cancellation.

This will leave £73.7m of the issue outstanding.

They have an investor put option which is exerciseable in October 1992 requiring repayment at a price one-third above par.

Next shares fell ½p to 26½p yesterday and the convertible closed at £108½, up £½.

Electronic side softens Diploma profit decline

By Clare Pearson

PRE-TAX profits at Diploma, the electronic components, building materials and special steels group, fell from £8.9m to £6.3m in the the six months to end-March.

Deepening UK recession, uncertainties caused by the Gulf war and the state of the housing market had made the second quarter a period which Mr Christopher Thomas, chairman, said was "one I would rather forget."

He said the profits fall was attributable to engineering and construction related activities with electronic component distribution being a welcome exception.

The result had been "disappointing but not damaging" for the company, he said. Cashflow was good. The interim dividend is being maintained at 2.25p from earnings of 7.5p (9.8p).

"We are now seeing some signs that confidence is recovering from the trough," he said.

In special steels, Diploma had seen demand on the UK engineering side, which previously accounted for about half its business, practically collapse. That left the lower margin oil-related side to take up a larger proportion of the business.

In building components, the second quarter was worse than the first amid continuing recession in the housing market. But a bright spot was that the IG Lintels subsidiary gained market share.

Despite a further downturn, which came after several poor years, on the electronic components side, the company increased its share of the market and profits rose. There was also an increase in bookings which was expected to help the second half performance.

Baris Holdings moves 36% ahead to £2.2m

Baris Holdings, the USM-quoted fire protection and dry lining specialist, lifted taxable profits by 36 per cent to £2.23m in the year to February 28. The comparable figure was £1.64m.

Mr Robert Smith, the chairman, said the result had been achieved against a backdrop of lower activity, falling tender prices and a general lack of optimism in the UK construction industry.

However, the company's order book was £14m at the year-end, a 45 per cent increase.

Turnover in the 1990-91 year advanced 74 per cent to £19.38m (£11.13m).

Earnings per share rose from 16.3p to 20.2p and the directors are recommending a final dividend of 4.6p for an improved total of 6.6p (3.75p).

CORRECTION
Lion Mining Fin

Lion Mining Finance is not the manager of European Mining Finance, as we reported on May 14.

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

No 002871 of 1991

IN THE MATTER OF
TYNDALL HOLDINGS PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 15th April 1991 confirming the reduction of the capital of the above Company from £82,600,000 to £8,250,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 25th April 1991.

NORTON ROSE,
Kempson House,
P.O. Box 570,
Camomile Street,
London EC3A 7AN
Solicitors for the Company

Striving to adapt to an arranged marriage

Andrew Baxter on Du Pont's struggle to integrate Howson into its group structure

A little under two years ago, Vickers, the venerable UK engineering group, delighted analysts by announcing the £245m sale of its Howson-Algraphy printing plate business to Du Pont, the largest US chemicals producer.

Vickers had recognised that Howson, the world's third biggest producer of aluminium lithographic plates for the newspaper and graphics arts industries, could go no further under its ownership.

The Leeds-based subsidiary needed, instead, to be part of a broad-based group that could sell chemicals, film and plates in a package to increasingly demanding customers worldwide. Selling the business to Du Pont was "a marriage made in heaven," according to one observer.

The strategic logic may have been impeccable, and was repeated late last year in Cookson's sale of Frank Horsell, another Leeds-based lithoplate maker, to International Paper of the US.

But the DP/Howson marriage has had a difficult start. The new partners are finding it difficult to get on, and there is even speculation, denied by Du Pont, that a divorce is possible.

At the heart of the problem lies the challenge of fitting a tightly-knit company managing its global business from northern England into the complex management matrix of a multinational.

On top of that, Du Pont has had to grapple with the £235m purchase, jointly with Fuji Photo Film of Japan, of Crosfield Electronics. This printing technology company was sold by De La Rue, the UK banknote printer, a few months after Vickers sold Howson.

Du Pont conceded in its latest annual report that it had "experienced difficulty integrating the several imaging businesses acquired in 1989." Mr W Pincus Jaspert, a respected writer on the graphic arts industry, says: "They've admitted that they have taken on more than they can chew."

Until last month Howson – now called Du Pont-Howson – was in disarray. Callers wishing to speak to Mr Tony Wright, chief executive since 1985, were told that he was on holiday. Industry rumours that 52-year-old Mr Wright had left the company were confirmed finally on April 22.

Mr Wright's retirement is part of a worldwide reorganisation of Du Pont's entire imaging system division, intended to strengthen the links between Howson and its new parent. "We feel a driving need to get on with the total integration of all our imaging activities," says Dr Gary Cook, vice-president of Du Pont Printing and Publishing.

Perhaps inevitably, Howson has lost its ability to decide quickly on problems or opportunities anywhere in the world from its headquarters in Leeds. This used to be an advantage acknowledged even by its competitors, including the market leader Hoechst of Germany, says Mr Ron Taylor, who retired last year as Vickers' managing director.

Mr Taylor is the man most closely associated with the transformation of Howson from a domestic minnow into a global player. Vickers bought WH Howson in 1965, and paid £8m for Algraphy, then Howson's only other big UK competitor, in 1969. The combination of technologies and a broader product range allowed the new Howson-Algraphy to "take on the big boys."

Under Mr Taylor, Howson-Algraphy expanded fast for 15 years, with domestic market share of up to 60 per cent providing the springboard for foreign sales. These were underpinned by the printing industry's shift from older technology to offset litho.

But by the mid-1980s Howson faced twin challenges to its continued growth. First, it was clear to both Mr Taylor and Sir David Plastow, Vickers' chief executive since 1980, that Howson was too dependent on printing plates and needed a complementary product – graphic arts film. But Vickers was unable to buy into the business or reach a trading agreement with a major manufacturer.

Secondly, expansion plans by Howson's German and Japanese rivals in Europe and North America had convinced Mr Taylor that "there was going to be a bloody battleground in lithoplates."

So the decision was taken towards the end of 1988 to sell Howson. Mr Taylor drew up a list of six potential acquirers, who were approached discreetly by Lazards.

"I put Du Pont at the top of the list," says Mr Taylor, "largely because of their excellent range of graphic arts film products and the fact that they had no connection with printing plates. So the two fitted together very nicely." Initially, the deal took many in the City by surprise when it was announced in May 1989. Why, analysts asked, was Vickers selling a cash cow?

"We could see what was happening to that business, and I don't think the analysts could," says Mr Taylor. "We were propping up the bottom line in absolute terms by getting increased volume at lower margins."

In 1988, its last full year under Vickers' ownership, Howson had pre-tax profits of £19.2m on sales of £180.6m. The City soon applauded Vickers for getting such a good price for Howson, but Mr Taylor says both buyer and seller should have been happy.

"Du Pont were paying a price that had to make certain assumptions about the synergistic benefits of putting film and plate together. For the Vickers shareholder, those benefits were not available."

So far, it appears, Du Pont has made slow progress on achieving these synergies. This is due partly to circumstances beyond its control. The UK recession has hit domestic printing plate sales badly, and, says Mr Jaspert: "Plate is a very hard business. The Japanese are determined to become the biggest suppliers."

Ron Taylor: transformed Howson into a global player

Howson has probably retained its worldwide market share of 15 per cent, but is still understood to be selling on price. This, observers believe, means profits would have fallen even though Howson has held on to its customers.

But the assimilation of Howson has also proved a big distraction for Du Pont. Howson's simple structure of global functional responsibilities – one marketing director, for example, for the whole world – is at odds with the "matrix management" at Du Pont.

This involves a grid of regional and functional managers, and is used by most of the big chemical companies. One critic says, however, that Howson has been left in a no-man's land somewhere between the two contrasting philosophies. "It's neither the old nor the new."

Dr Cook points out that "If you've never been part of a highly-matrixed organisation, it's hard at first to understand how it will ever work." It is believed that Mr Wright was one of the Howson executives who felt happier with the old Howson style.

Last month's reorganisation is a sign that Du Pont is coming to terms with its new charges. The printing systems and electronic imaging businesses are to be combined under Dr Cook, a logical step when the technologies are converging.

Dr Cook believes the shake-up will strengthen the functional ties between Howson and Du Pont, and give customers easier access to Du Pont's broad product range. Howson, he says, is a core part of Du Pont's strategy.

Mr Jaspert, meanwhile, believes the future for Howson under Du Pont's ownership will depend very much on the US company's stamina. For his part, Mr Taylor says any other big multinational chemical company would have faced the same assimilation problems. "I'm quite sure Du Pont have the ability to make it all come right eventually," he says.

Countryside sees first signs of a recovery

COUNTRYSIDE Properties made a pre-tax profit of £3.06m in the half year ended March 31 1991 in difficult conditions. The end of the Gulf war and reduced interest rates came too late to affect the figures, said Mr Alan Cherry, the chairman.

However, those two factors had produced the first signs of a recovery. In residential housing there were "clear signs" of pent-up demand which would become increasingly effective as further cuts in mortgage rates occured, he claimed.

The group had land with planning permission for 2,400 homes, and the right to acquire sites which would accommodate another 8,000.

The profit compared with £4m for the half and with a loss of £8.13m for all of 1989-90, when there was an exceptional £14.3m provision for reduced land and property values.

Earnings were again 7.2p and the interim dividend is held at 1.41p.

On the commercial side, Mr Cherry said the completed properties were being retained for the time being. When fully let they were expected to produce £5.4m of rental income per annum, and 92 per cent of that had already been secured.

Short-term debt was being reduced by about £40m through arranging fixed-term bank loans.

FINANCIAL TIMES SURVEY

SCOTTISH FINANCIAL & PROFESSIONAL SERVICES

Thursday May 16 1991

The recession may be moving north, accompanied by the further challenge of the Single Market, writes **Barry Riley**. One strategy for the industry may lie within a series of second-line EC financial centres. But Scotland must not seem to accept crumbs from London's table.

Individualists seek a niche

"IT ISN'T Scottishness, it is individuality that counts," says Sir Thomas Risk, retiring governor of the Bank of Scotland. "The existence of a separate group of financial practitioners outside London is beneficial to the UK as a whole."

By and large, Scotland's financial services industry has prospered in recent years. Its life assurance companies have expanded strongly; the Scottish banks have steered clear of the worst of the bad debt problems of their English counterparts; and if Scotland failed to benefit from the Big Bang revolution in the securities market, that does not look so bad an omission now that many London securities firms are bathed so heavily in red ink.

But times are changing. The recession that has hit south-east England so badly may be heading north, albeit in slightly diluted form. Then there is the challenge of the Single Market in financial services from the beginning of 1993, which is causing particular heart-searching for Scottish financial companies that are generally comparatively small and less internationally oriented than many of their London rivals.

Such historical connections as they have overseas are mainly in the US and the Far East. The problem is symbolised by the poor air links with the continent. "People coming from Munich or Milan have to get into another aircraft to reach Glasgow. They find it an inhibition," says Nicolas McAndrew, chief executive of fund managers Murray Johnstone.

Scottish expertise is rather narrowly based in fund management and insurance. There are important clearing banks, too, but the merchant banks are fairly small, and generally focus on putting together the Scottish element of national deals. There is very little in the way of financial markets of any kind.

Mr Scott Dobbie, one of many Scots exiled in the London financial community, is seeking to change this. A top executive with County NatWest, he points out that a year ago his firm installed a dealing room in Edinburgh, staffed by traders who want to live and work in the Scottish capital. "You can be at your desk in Edinburgh and as near to the market as in London," he suggests, emphasising the power of modern communications.

In most cases, however, Scottish stockbrokers focus upon private clients, with Bell Lawrie White (owned by the TSB Group) the leader. It has some £1.5bn under advice in some 12,000 private-client portfolios. Its corporate and institutional business, meanwhile, is largely confined to the small-company sector. That could be seen as another case of Scotland acting as the City of London's low-cost relation.

Financial centres more than anything else are labour markets, dependent upon a pool of existing skills. In fund management there is a critical mass of human talent in Edinburgh and Glasgow, but the same does not apply in institutional broking, marketmaking or corporate finance.

It is true that, for many people, quality-of-life arguments count strongly. Those who want fresh air, space and an escape from London's commuting agonies, will thrive in Scotland. Until recently, too, the relative cheapness of office accommodation in Edinburgh and Glasgow counted for a lot. Overall operating costs have been reckoned to be 25 per cent lower than in the City of London.

Now, however, London's property glut is changing the picture, and City financiers seeking low-priced modern space do not need to head 400 miles north: they can travel just a few miles east to London's Docklands instead.

The latest available statistics show that, in January 1990, there were 184,000 jobs in financial and business services in Scotland, up some 40 per cent since 1981. The major sectors were banking and insurance. These fast-increasing jobs in financial and businesses services represent almost 10 per cent of all employment in Scotland, actually slightly less than for the UK as a whole, although more than in northern England or Northern Ireland. The jobs are productive, and financial services are estimated to produce 15 per cent of gross domestic product in Scotland.

The distinctive feature of Scotland is that it retains its separate institutions. Whereas the banks and insurance companies based in the English regions have virtually all been absorbed into London-based giants, Scotland has three locally-based clearing banks (although only two are independent) and a number of major life assurance companies, plus one large general insurer, General Accident.

The Scottish lobby has fought bitterly over the years to retain various corporate headquarters in Scotland, arguing that it is vital to retain a class of top decision-takers, and to hold on to the services activities – auditing, legal advice, management consultancy and so forth – that focus on the chief executive's office.

By and large, Scotland has failed to hold on to its industrial companies – leading to skirmishes such as that over Britoil when it was bought by BP three years ago – but it has done much better with its financial institutions. A threat to the Royal Bank of Scotland was fought off a decade ago, and all the bigger life companies have the security of mutual ownership.

A valuable reputation for financial probity and skill is there to be exploited, by small firms as well as large. Mr Walter Scott, who runs an investment boutique, says that he has no difficulty in gaining the co-operation of companies around the world when conducting investment research. He observes that, "I'm an investment manager, I come from Edinburgh" seems to be enough to get you into most places in the world.

Certainly Scotland, with its relatively low costs, has a thriving culture for financial enterprise. Mr Anthony Steel three years ago started up a specialist investment boutique called Advice on Investment Strategy in the improbable financial centre of Lockerbie, Dumfriesshire. "We couldn't have started this business in London at that time," he says.

But is the boutique approach good enough? The Scottish financial services industry could be criticised for taking rugged individualism too far, and for a failure to move quickly enough into businesses like unit trusts and pension fund management which require good marketing. Earlier, Scotland also largely missed out on the postwar growth of building societies.

The trade association Scottish Financial Enterprise was devised five years ago as a means of bringing mutual awareness and collective purpose to the diverse constituents of the financial community north of the border.

One of its themes now is the development of a series of second-line financial centres around the European Community. Edinburgh is twinned with Munich, for example, and there are contacts with cities such as Lyons and Turin. This is controversial within Scotland, however. Some Scottish financiers argue that the focus should be on Frankfurt, Paris and Milan, and of course London, because those centres can be much more prolific sources of business.

Mr James Provan, chief executive of SFE, admits the importance of London. "If we ignore London, we haven't a hope in hell," he says.

But the challenge is to provide complementary financial services which add to what the City of London can provide, without appearing to focus upon the low margin crumbs which fall off the Londoners' tables.

According to Sir Thomas Risk: "We must emphasise that the Scottish financial services industry represents an addition to the vigour of the financial sector in the UK as a whole."

How Scotland scores: global fund-management centres
Equities under management ($bn)

1990	1989		1990	1989
1	1	Tokyo	2,192.3	1,779.0
2	2	New York	406.6	321.5
3	3	London	365.3	281.0
4	4	Geneva	283.4	218.7
5	5	Zurich	257.1	211.9
6	6	Boston	176.5	144.3
7	7	San Francisco	112.4	93.3
8	8	Toronto	85.6	69.6
9	11	Paris	81.3	58.7
10	10	Philadelphia	79.2	60.3
11	14	Frankfurt	73.2	49.5
12	12	Los Angeles	72.7	58.0
13	9	Chicago	67.8	65.6
14	16	**EDINBURGH**	62.5	40.1
15	13	Hartford	59.6	49.7
16	17	Basle	51.7	33.0
17	15	Montreal	42.3	44.8
18	18	Minneapolis	29.4	28.2
19	21	Atlanta	28.4	24.0
20	22	Newark	28.2	20.6
21	20	Houston	27.7	24.3
22	23	Düsseldorf	26.9	19.2
23	19	Baltimore	26.2	24.7
24	25	Trenton	21.8	18.7
25	-	Akron	20.1	na
26	-	**GLASGOW**	19.8	na

Source: Technimetrics, London (The Banker, March 1991)

Fund management

Boutiques in search of the old spirit

By Barry Riley

SCOTLAND IS a substantial centre for portfolio management, with funds of around £80bn estimated to be controlled from, in the main, Edinburgh and Glasgow.

Perhaps £50bn is in the hands of the life offices, leaving £30bn managed by a variety of mostly independent firms. These figures include bonds and property, as well as equities.

The biggest single player is mighty Standard Life, where Mr Dick Barfield is in charge of some £20bn, with the help of a team of some 45 investment professionals.

It is investment power on that scale which helps attract a stream of visiting UK and US companies to Edinburgh, and keeps Scotland on the international road-show circuit. "You can manage money from anywhere these days," says Mr Barfield, "but it helps being part of an investment management centre."

In fact, however, sturdy independence rather than institutional power is regarded as more characteristic of Scottish fund managers, rooted as they are in the tradition of the investment trust movement. A crop of new investment boutiques is now seeking to recreate this spirit.

Aberforth Partners, for example, was started last summer by a team of fund managers who left Ivory & Sime. Specialising in small UK listed companies, it was lucky with its timing, being up and running when the small capitalisation sector became fashionable again in February this year.

Having successfully launched an investment trust, Aberforth now runs about £20m, and is floating a second trust which could be worth up to another £30m.

Scottish Value Managers has been set up by Mr Colin McLean, formerly head of the Templeton unit-trust operation, with an early focus on private client portfolios, including personal equity plans, but with ambitions to launch an investment trust too.

Mr Walter Scott, a kilted ex-nuclear physicist, heads a rather older boutique, Walter Scott and Partners, based in a mock castle near Edinburgh Airport. Mr Scott's firm is little-known but well-established, managing about £500m. With a staff of only 13, including six partners, it appears to be comparatively easy to run and very profitable.

It is the bigger independent fund managers, those with over £1bn under management and with staff numbers of 100 or more, that seem to run into difficulties. It could be a criticism of the Scottish investment management industry that no firms have really made a successful transition to the big time.

Ivory & Sime, for instance, once the Scottish industry's leader from its No.1 Charlotte Square base, and since 1983 a listed company, has suffered many defections and committed several management blunders over the years. It currently manages about £2.5bn.

Recently it has again been cutting staff, and has been unwinding its ill-timed attempt to break into the unit trust business. Mr Alan Munro, who became chief executive last year, says Ivory has addressed its costs problem earlier than have some of its competitors. "We tackled with some gusto the problem which the rest of the industry encountered in

Continued on next page

James Buxton reports mixed results in the banking sector

Debt hits the big players' profits

THE RECESSION is at last catching up with the Scottish clearing banks.

On May 1, both Bank of Scotland and Royal Bank of Scotland produced their results, the first for the full year to February 28 and the second for the half year to the end of March.

Both showed steep falls in pre-tax profits, with Bank of Scotland, the smaller of the two leading banks, down 31 per cent and Royal Bank down 58 per cent – in both cases thanks to large provisions for bad and doubtful debts.

Mr Bruce Pattullo, Bank of Scotland's deputy governor, also launched a £194m rights issue, which he said was aimed at increasing the bank's market share at a time when margins in the UK banking market were widening as some competitors pulled out. The stock exchange approved and the bank's shares rose.

The fact that the rising tide of bad debts is hitting these two Edinburgh-based banks some time after it pulled down the big London-based clearers is a reminder of the degree of protection they have enjoyed up to now through their strong presence in the Scottish economy. Scotland never boomed to the same extent as England, and only in the last few months has it gone into what may be a relatively mild recession.

Scotland never boomed to the extent of England, and only in the last few months has it gone into what may be a relatively mild recession

Thus Clydesdale Bank, the Glasgow-based subsidiary of National Australia Bank, which operates almost entirely in Scotland, made a record £70m in the year to last September. The other Scottish clearing bank, TSB Bank Scotland, based in Edinburgh, also reached a new pre-tax profit high with £61m for the 12 months to the end of October.

Royal Bank and Bank of Scotland both achieve at least half their business outside Scotland, the former through an extensive and growing branch network, the latter through a large number of initiatives designed in part to offset the fact that it has only 15 branches south of the border.

Not having a large branch network, Bank of Scotland enjoys a substantially lower cost base than Royal Bank, although its cost/income ratio went up from 53 per cent to 54 per cent in 1990, while Royal Bank's fell from 63.5 per cent in 1989 to 61 per cent in 1990.

Last autumn, the Royal announced a series of changes aimed at simplifying its structure and improving its efficiency. The clearing bank became the operating parent of the business and several subsidiaries, each of which had had their own boards, were absorbed into it. Further changes, likely to be accompanied by job losses, should follow as the new managers eliminate dead wood.

Sir Michael Herries retired in January as Royal Bank's chairman, and was succeeded by Mr George Younger, the former defence secretary. Mr Bob Maiden retired as managing director of the clearing bank, and it became likely last year that Dr George Mathewson, deputy chief executive, will be the successor of Charles Winter, when he retires as chief executive in 1993.

At Bank of Scotland, meanwhile, the governor (chairman), Sir Thomas Risk, will retire in June to be succeeded by Mr Pattullo, giving the bank an executive chairman.

In Glasgow, meanwhile, Clydesdale is trying to improve its efficiency after the unhappy last years of the ownership of Midland Bank, which came to an end in 1987. High levels of capital spending, making up for years of starvation, are keeping up the cost/income ratio, which was 68 per cent in 1990.

In TSB Scotland big changes, similar to those in England, are being made in the way branches are run, and the bank is homogenising its products north and south of the border. In Edinburgh, branch administration has already been centralised on a single branch, while the layout of individual branches has been redesigned to reverse the traditional division between 70 per cent administration and 30 per cent for dealing with customers. The process moves soon to Glasgow.

The newly retrained staff in the customer service centres are currently being directed at attracting funds from savers to achieve a more balanced portfolio matching the banks' strong mortgage position – TSB claims to be the biggest mortgage lender in Scotland with a £1.3bn mortgage book.

Savings and lending products are being homogenised north and south of the border to iron out any anomalies, though TSB Scotland is always under pressure from the media to retain a Scottish identity.

Scotland has a relatively small corporate finance sector: although there has been a gradual trend over the past decade for Scottish companies to seek the advice of Scottish rather than London-based merchant banks, their growth has been restrained by the relatively slender Scottish corporate sector.

However, the sector has been helped in what might otherwise have been a lean time by the £2bn privatisation of the two Scottish electricity companies, Scottish Power and Scottish Hydro-Electric, now reaching its climax after more than three years of preparation.

Joint adviser to the government, with Barclays de Zoete Wedd of London, is Bank of Scotland's merchant banking subsidiary British Linen Bank. Scottish Power is advised by Samuel Montagu of London and by the small merchant bank Noble Grossart of Edinburgh, while Hydro-Electric uses Charterhouse, part of Royal Bank but based in London.

"We've told our clients that recession would produce a flow of deals to be done in acquiring cheaply companies that have got into difficulties," says one Edinburgh merchant banker. "But so far that has not happened."

Meanwhile, however, organisations like Charterhouse Development Capital have been busy helping to restructure or refinance companies that may have been the subject of management buy-outs, and this month handled the $108m leveraged buy-out of Devro, a subsidiary of Johnson & Johnson.

Noble Grossart often recommends medium-sized companies to remain in private hands, rather than go to the stock exchange. It recently handled the takeover by Drambuie, the drinks company, of Caithness Glass.

Another small corporate finance house – it calls itself an issuing house – is Noble & Co, run by Sir Iain Noble and his brother Timothy. It concentrates primarily on raising capital for new ventures, and has raised finance for an impressive, somewhat eclectic, list of companies.

The sector has been helped by the £2bn privatisation of the two Scottish electricity companies, Scottish Power and Scottish Hydro-Electric

These include Aristuein, for which it raised £26m for a venture which hopes to buy up English building societies, and Delphi, a US company which is launching a new system of rapid photograph processing. It also handled the management buy-out of Lambert Smith Hampton, the London-based chartered surveyors, from British & Commonwealth.

Trevor Humphries

George Younger (left), chairman, Royal Bank; and Bruce Pattullo, deputy governor, Bank of Scotland

The Single Market

Regional strategy for a second-tier alliance

LAST YEAR Mr James Provan became chief executive of Scottish Financial Enterprise, the trade association to which virtually the entire Scottish financial community belongs.

Unlike Professor Jack Shaw, his predecessor who set up SFE, Mr Provan is not a financial man. Instead he was until 1989 an influential Conservative MEP, and he was partly appointed to continue the process, begun by Prof Shaw, of awakening the Scottish financial community to opportunities in continental Europe, as the EC's single market takes shape.

Mr Provan is a skilled lobbyist, familiar with the ways of Brussels, and is nurturing a plan for the regions and secondary financial centres of Europe, such as Turin and Lyons, to form a second-tier alliance against Paris, London and Frankfurt. He recently concluded a co-operation agreement with Bavaria.

But he admits that some Scottish institutions have to be "dragged kicking and screaming" into showing an interest in continental Europe. "They've got to be shown the market. It will take time: a lot feel quite comfortable with things the way they are," he says. Scots have traditionally been more interested in North America.

Continental Europe does present opportunities to Scottish financial concerns, but they are not as alluring or as easy to exploit as they look. Most Scottish institutions are relatively small, which limits their scope to make acquisitions. Fund management companies are often insufficiently capitalised to fund big acquisitions.

Conversely the single market could heighten the prospect of Scottish institutions, notably the two leading banks, Royal Bank of Scotland and Bank of Scotland, being acquired by continental institutions – a point made by Ernst & Young's report, Scotland in the Single Market, commissioned by the Scottish Development Agency.

"Once you go and look at a market that interests you in an EC country, you very often discover impediments to doing business there which you hadn't realised," says an official of one of the banks. For example, a bank exploring the French mortgage market discovered that mortgage lenders there do not obtain custody of a property's title, contrary to British practice.

"There isn't really a single market," says one Edinburgh financier. "There's a collection of markets, one or even more in each country, with their own cultures. Where opportunities exist, you usually find local institutions are actually exploiting them rather efficiently."

Of the Scottish institutions, only General Accident, the Perth-based composite insurer, has a long-standing involvement in continental Europe, with activities in France, Germany, Belgium, Italy, Greece, the Netherlands and Denmark. But its latest reports is not encouraging:

Standard Life is deterred by the prices at which insurance assets are changing hands in Europe

"In view of the difficult trading conditions and historically poor results, all our European operations have undergone a critical review and radical measures have been applied in all territories," cancelling unprofitable business and rationalising networks.

Royal Bank has been the most adventurous Scottish institution in forging new continental links: through its cross-shareholding with Banco Santander of Spain, it has some access to the Spanish market, and the two banks jointly control a growing private commercial bank in Portugal. The Spanish and Scottish banks have joint venture operations in Germany and Portugal.

Bank of Scotland, having initially been sceptical about the single market and determined to deploy its capital where it is most likely to make a good return (i.e., England), last year became involved in a small banking joint venture in Greece.

It also built on its strengths in credit-card processing, addressing the under-developed continental market by taking a small stake in SiMo, a new Italian processing company, and has set up a joint venture with Quelle, the German mail-order company, to process cards in the German credit-card market, currently small but forecast for big expansion.

In the life-assurance sector, Scottish Provident in 1989 bought Equity & Law's operation in Spain, adding it to an initiative it had previously launched in Greece. Scottish Widows last year committed an initial £5.7m to buying a 40 per cent stake in a life assurance joint venture with Previasa, Spain's largest medical insurer.

The biggest Scottish mutual, Standard Life, is still pondering before jumping into Europe. Mr Alan Forbes, who is responsible for research and planning, says Standard Life would like access to distribution networks. But it is deterred by the high prices at which insurance assets are changing hands in European countries as banks form alliances with insurance companies.

"We're pretty cautious about forming an alliance with a bank," he says. "The record of other alliances is not good and unless there a genuine meeting of minds they tend to come apart."

He is wary of the highly regulated German market (though hopeful of the eventual implementation of the European Commission's third life directive). Spain is more liberal but competition is strong. "We've yet to be convinced that there is money to be made there, though we could go in as a learning exercise."

James Buxton

New boutiques seek the old spirit

Continued from previous page

September," he claims.

In Glasgow, Mr Nicolas McAndrew, chief executive of Murray Johnstone, managing £3.5bn, admits he has been through an uncomfortable time too. The privately-owned firm also over-expanded during the late 1980s: around 20 redundancies were declared earlier this year, and 20 more jobs went through natural wastage.

Last year, Murray Johnstone made it known that it was seeking a buyer. Embarrassingly, it failed to find one which would pay a high enough price, and it has been forced to soldier on independently. Mr McAndrew claims the near-term prospects are good, but the company lacks distribution capability. "In the 1990s you have got to be able to reach the individual," he says.

Martin Currie, of Edinburgh, is another medium-sized privately-owned operation – managing £2.5bn – which has encountered growing pains. Like Murray Johnston, it would like a big international backer, but it does not want to be swallowed up, preferring some kind of joint venture.

"We have talked and talked and talked with the Japanese and the Europeans," says David Skinner, the company's chairman. "So far we haven't come up with any answer, but I am confident that in the longer term we will find a solution."

Martin Currie encapsulates the strengths and weaknesses of the Scottish firms. It has built on its foundations in investment trusts to move successfully into unit trusts and UK and US pension fund management. But it is uncomfortably placed halfway between being a boutique and a big investment group.

Perhaps the most successful so far of the Scottish independents is Baillie Gifford, which has been expanding quietly, and is now just overtaking Murray Johnstone in UK pension fund business.

Others, however, have lost their independence. Edinburgh Fund Managers is now controlled by the British Coal pension funds, although it is still listed on the stock market. Dunedin has gone in with the Bank of Scotland as a 50.5 per cent subsidiary.

Another player is the Royal Bank of Scotland subsidiary Capital House, which describes itself as the only two-centre fund management business, with some of the investment management and marketing activities located in London, but much of the private-client and back-office side housed in Edinburgh.

Capital House, managing around £3bn, has the advantage of being able to sell through the Royal Bank's branches throughout the UK, though it has still to create the distinctive style of some of the independent Scottish investment management houses.

All the Scottish managers will have breathed a sigh of relief at the stock market's recovery during the first quarter of 1991. The industry's revenues were seriously squeezed last year when the market was weak.

But the upturn was not soon enough to save Instate, the planned investment management institute which was to have opened in Edinburgh this year. The new training institution would have enhanced Scotland's reputation as a fund management centre, but the venture capital offering failed to attract more than a small fraction of the funds required.

As the life offices differ over Europe . . .

Amicable is cautious

THE SCOTTISH life assurance companies – the biggest nine of which make up the Association of Scottish Life Offices (Aslo) – represent one of the striking successes of the Scottish financial services industry.

They expanded rapidly through most of the 1980s, and by the end of last year they employed 12,000 people in Scotland (plus another 5,000 elsewhere in the UK). Last year they pulled in total premiums and investments of £3.89bn, and had funds under management of £90bn at the end of 1990. They hold over 20 per cent of the UK market, although Scotland only has 8.9 per cent of the UK's population.

Essentially the Scottish life companies have prospered by selling long-term investment products, backed by a modest element of life insurance, into the English market from a base in Scotland where the costs are low but the skills tend to be relatively high.

Now, several of the Scottish offices are dabbling with the challenge of tackling the continental European markets, with Scottish Widows moving into Spain and Scottish Provident setting up in Greece. But the other major Scottish offices, including the biggest of them all, Standard Life, are holding their fire.

At Scottish Amicable, too, there is caution. "It would be very difficult to buy a company in Europe of a size that we could consider to be viable," says Mr Roy Nicholson, Amicable's chief executive. And a start-up, he adds, would be very resource-intensive. "Europe is not a major priority for us," he says, "but it will come."

Most Scottish life offices have the common characteristics of being mutuals and being historically reliant on independent financial advisers to distribute their products. This is beginning to change, however: Life Association of Scotland, a proprietary office which for some years has been owned by Nationale-Nederland, has begun to build its own sales force, and FS Assurance demutualised two years ago to become Britannia Assurance, the life insurance arm of Britannia Building Society.

For the rest, the impact of the Financial Services Act has forced a drastic reappraisal of distribution. Standard Life has linked with Halifax Building Society, and Scottish Equitable has set up a joint venture called Royal Scottish Assurance with Royal Bank of Scotland.

Mr David Berridge, chief executive of Scottish Equitable, is the current chairman of Aslo. He notes that the Scottish life industry has been successful in adapting to the changes in the savings market during the past few years, with life policies becoming less attractive to savers, while personal equity plans have made an impact. Above all, he says, "pensions have become the main product".

But personal pension plans have created considerable administrative problems, which the Scottish offices have not always handled successfully. A survey published last month by Alexander Consulting, the Glasgow-based intermediaries, placed most Scottish offices in the bottom half of the league table for quality of service. Scottish Widows, coming 15th out of 35, was the best of a bad bunch.

It is the relatively free availability of labour which has given the Scottish life companies an advantage. Mr Berridge points out that most can maintain an integrated structure, with a single main office, whereas "most of the London companies are scattered to the four winds".

He adds: "Costs are certainly lower than in London, though not materially lower than in places like Norwich."

The advantages of Scotland as a base for high-volume information-processing businesses are highlighted by the continuing growth of Scottish Amicable's office complex at Craigforth, outside Stirling. Already 1,100 staff work there, and a new wing now under construction will eventually accommodate another 600.

"I'm a great believer in the quality of life up here," says Mr Nicholson, mentioning education, low house prices and ease of commuting. Scottish Amicable, he says, can recruit the pick of the local school leavers.

At higher levels of management, Scotland's strong educational tradition has also favoured the development of the life companies. With a stream of bright graduates to be tapped, the Scottish actuarial profession has always been strong, and similar skills have been applied to the investment departments of the life companies.

But it is the marketing side that may pose problems for the Scottish offices over the next few years. Already the relative decline of the IFA sector has caused life companies to seek to develop the potential of tied agents of various kinds, and others besides LAS have talked about direct sales forces – Scottish Widows, for example. But the Scots have little expertise in this area.

In London, the Securities and Investment Board is to conduct a review of the retailing of investment products which could affect the way that IFAs conduct their business.

However, Mr Berridge points out that Aslo members slightly outperformed their English competitors in 1990. "Established life offices with good records are doing well," he insists.

Barry Riley

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Flotation offers advisers a shop window, says **James Buxton**, but . . .

The export of services is limited

THE FLOTATION of the two Scottish electricity companies, due at the end of this month, is giving the professional advisers who cluster near Charlotte Square, in Edinburgh, and Blythswood Square, in Glasgow, a chance to show the depth of the expertise available in Scotland.

While the government, in choosing its financial advisers for the flotation, has coupled British Linen Bank of Edinburgh with the London-based Barclays de Zoete Wedd, many other Scottish professional advisers to the flotation have sole responsibility.

Thus the Scottish Office's legal advisers are the Glasgow-based solicitors McGrigor Donald. Scottish Power's lawyers of long standing are Shepherd & Wedderburn, of Edinburgh, while Scottish Hydro-Electric are advised by Dundas & Wilson, both in Charlotte Square.

Although Citigate is leading the public relations team from London, backed by PR Consultants Scotland in Glasgow, the most obviously visible work on the flotation is Scottish. The witty television advertisements, using Scottish historical figures such as Bonnie Prince Charlie to encourage people to register and apply for shares, are the work of Faulds Advertising of Edinburgh. The advertisements, backed by a newspaper campaign, appear in the south of England as well as in Scotland.

The Edinburgh company Tayburn Design are the designers to the issue, responsible for all the publicity material and design of the prospectus. Like Faulds, their involvement follows a series of successes in winning important accounts in Scotland, although their rivals the Leith Agency in advertising and McIlroy Coates in design are also strong Scottish-based performers in their fields.

These and other professional advisers say they are capable of providing work whose quality matches those of companies based in the south, though their focus is on the Scottish market. "An important client who goes to a Scottish-based professional adviser is likely to find that the firm is smaller than an equivalent in London," a leading Scottish accountant says. "But that is offset by the fact that he will very likely get the services of their top people, whereas in London he might only get the B-team."

Yet even though the privatisation experience is helping to demonstrate that Scotland offers a comprehensive set of financial and professional services, if on a relatively small scale, there is a limit to how far the services are exported beyond Scotland.

"The acid test is whether Scotland wins much business in ancillary services from the north of England and from Northern Ireland," comments a fund manager in Edinburgh, "and the answer is largely no. Manchester and Leeds provide competition, and everywhere there is a latent tendency to go to London."

Shepherd & Wedderburn prides itself on the fact that it is the only the Scottish law firm to feature in a recent league table of solicitors who have had a big involvement in stock exchange issues, coming 12th after a collection of mostly English firms. Most of the flotations involved are those of Scottish companies, though through the British Linen Bank the firm was involved in the flotation of the Manchester-based Airtours.

Dundas & Wilson, meanwhile, can point to holding third place among UK legal firms serving unit trusts with 8 per cent of the market, and argues that it has one of the largest corporate client departments among Scottish lawyers, being heavily involved in mergers and acquisition work and, until recently, management buy-outs.

Neither of these Edinburgh firms has offices in London, unlike McGrigor Donald and Dickson Minto, the latter having developed a niche market in corporate work in London. Although much Scottish law is different from that of England, most corporate law is statute law and therefore identical all over the UK.

"It would raise our cost base and would never be more than a representative office," says Mr Tom Drysdale, managing partner of Shepherd & Wedderburn. "You can easily do a day's work in London using the shuttle."

Mr David Hardie, at Dundas & Wilson, says: "We're running a UK practice – it just happens we're running it from Edinburgh" – where, he might have added, costs are much lower.

In a community where not many providers of peripheral services are conspicuously exporting their wares, a recent start-up in Edinburgh is worth noting. Directus, the creation of Mr Angus MacDonald, a former fund manager, offers a new service which alerts investors to changes in directors' shareholdings in their companies.

Within four hours of a director's share transaction being announced on the stock exchange, Directus faxes its customers with the full details of the transaction, how many shares the director had before or has left and, if possible, the reason for the sale – which may be personal rather than business related.

Mr MacDonald argues that when directors buy or sell, it is very often followed by news which significantly affects the price. Directors were substantial net sellers before the 1987 crash.

Directus employs six people, and as well as providing a faxed service to institutional fund managers it issues a monthly newsletter, called The Inside Track. It also produces a weekly summary of directors' transactions in the Weekend FT. The business is doing well, and Mr MacDonald claims 70 per cent of institutional fund managers take the service, which only began last summer.

As the accountants prepare for recession . . .

Staff turnover eases

LIKE OTHER Scottish financial professionals, accountants in Scotland are robustly independent. This was proved once again two years ago when the members of the Institute of Chartered Accountants of Scotland rejected a proposed merger with the much larger sister Institute in England and Wales.

Although there were strong economic arguments for the merger, the members – who now total some 12,600, against around 95,000 in the English Institute – voted to retain their distinctive Scottish qualification. In choosing independence, however, they also invited a large increase in subscriptions. The charge for a practising member is now set at £290, up 40 per cent in two years.

Until now, the accountancy profession's fortunes have been buoyant enough to accommodate increasing costs, but a recession now looms. True, conditions are by no means as bad yet as in the south of England, but prudent Scottish accountants fear that the problems will spread north.

So far there is no effect on recruitment. The Scottish Institute admitted 491 students last year, up from 470 the year before, and as many as 550 are projected for 1991. But Peter Johnston, chief executive and secretary, is a little cautious about the figure: "We will believe that when it happens," he says.

Many firms are suffering from a log-jam on the career ladder. They have been used to losing a large proportion of newly qualified staff, but the labour market is now so poor that few are leaving. There is therefore a risk that staff numbers will balloon at a time when revenues are weakening.

"There is an unplanned increase," admits Mr Archie Hunter, managing partner of KPMG Peat Marwick McLintock's Glasgow office.

The word redundancy, however, never passes the lips of accountants, who prefer to talk about "counselling out." According to Mr Hunter: "We might have to help people to move on."

Accountants in Scotland have prospered during the past decade much as their English counterparts have, with the boom in business services, including consultancy and tax advice. But there has been a constant threat from centralisation: the ownership of big Scottish companies has been regularly moving south, and often their audits and other head-office contracts have gone with them.

Eventually the two big firms that had retained a strong Scottish character, Arthur Young and Thompson McLintock, decided to merge with stronger partners during the late 1980s to form Ernst & Young and PMM respectively.

According to Mr Donald Turner, Glasgow-based regional managing partner of Ernst & Young, probably Scotland's market leader, this recession is not as bad as the last one 10 years ago, but nevertheless the market has become very competitive.

"The profession is going through a pretty radical look at itself," he says. His firm is recruiting a few less students in Scotland than last year.

Like many representatives of the big firms, Mr Turner personally regrets that the merger of the Scottish and English institutes failed to go through. At PMM, Mr Hunter comments that the Scottish Institute must preserve the best relationships with the big firms.

Although 58 per cent of the members of the Scottish Institute are located in Scotland, that leaves substantial numbers elsewhere. Some 26 per cent are in the rest of the UK, and the remaining 15 per cent are spread around the world.

The institute has now re-established London as one of its four training centres (the others are Edinburgh, Glasgow and Aberdeen), and Mr Peter Johnston, who joined about 15 months ago, talks about the tremendous spirit which has grown since the merger plan broke down. He would like to see the membership grow to a target level of 20,000.

"It is working. The will to make it work is extraordinarily strong," he says.

After some initial irritation, the English Institute has agreed to closer collaboration than before. According to Mr Johnston: "I had an ambition to achieve the advantages of the merger while retaining our independence, and I think to a large extent that has been achieved."

The grassroots revolt that preserved the Scottish Institute's independence says a lot about the attitudes of the business community north of the border. There is a fear that, if Scotland loses its identity, it will also lose a lot of its vitality and its ability to resist the pull to the centre, exerted these days by Paris, Brussels and Frankfurt as well as by London.

But for Mr Johnston, keeping faith with the grassroots means, for instance, running courses for members in Stornoway. "Such courses are not going to pay, but they represent a very highly valued exercise in member service," he says.

Barry Riley

Cotton future prices reach new highs in NY

By Barbara Durr in Chicago

PRICES for cotton futures on the New York Cotton Exchange shot up again yesterday, reaching new life of contract highs.

By mid-morning yesterday, the July contract hit a record 91.30 cents a lb before receding slightly to 91.25, while the October contract reached its lifetime peak at 82.10. Previous highs had just been set on Tuesday.

Weather problems, particularly floods in the Mississippi River Delta, have beset the American cotton crop. The US Corps of Army Engineers estimates that several hundred thousands of acres in the Delta will still be under water by 1 June, delaying substantially the start of planting.

Cotton traders are thus watching the clock, given that after 20 May it is estimated that some 20 pounds an acre is lost on the crop's yield every day.

Cotton, which requires a long growing season, is usually in the ground by now. An additional factor pushing up prices is that the cotton market, which has seen demand steadily rising in the last few years, already has scant carry-over stocks.

Argentina accepts US-Brazil wheat deal

By John Barham in Buenos Aires

ARGENTINA has accepted US "explanations" for a proposed sale of 700,000 tonnes of subsidised wheat to Brazil later this year.

The US embassy said the sale was not intended to damage Argentina's exports to Brazil, its largest trading partner, because the exports would take place in the second half of this year when Argentine wheat exports traditionally decline.

The announcement earlier this week that the US planned to export subsidised wheat to Brazil touched off a furore in Argentina, which exports about half its 11m tonnes wheat harvest.

Argentina fears that the US exports would prevent Brazil from complying with a commitment to import 2m tonnes of wheat from Argentina this year. Brazil has already imported 1.3m tonnes of wheat from Argentina so far this year.

However, Mr Domingo Cavallo, the Argentine economy minister, said: "Let's be realistic. Everybody wants to buy cheaply and sell dear. The Brazilians have been demanding a lot of wheat in Argentina recently, forcing prices up."

Nonetheless, the foreign ministry, which delivered a formal protest to Washington, is angered that the US has repaid Argentina's decision to align itself closely with US foreign policy in this way.

Buenos Aires was also taken aback by Brazil's willing acceptance of subsidised wheat. Brazil, like Argentina, belongs to the 14-member Cairns group of agricultural exporting nations that is trying to stem American and European Community farm subsidies. Earlier this year when Brazil and Argentina signed the wheat import agreement both sides promised not to import subsidised products.

European demand for gas to rocket

By Karen Fossli in Oslo

AN estimated $170bn of investment will be needed over the next 20 years to satisfy Europe's growing appetite for gas, according to Mr J Roland Williams, managing director of Shell International Gas of the UK.

Most of that will have to be triggered in this decade, Mr Williams told delegates to the sixth European Gas Conference in Oslo yesterday.

By the year 2010 natural gas consumed in Europe will have to travel, on average, 75 per cent further than it currently does from the well-head to the burner tip.

By then gas demand in western Europe could have grown by as much as 55 per cent, with imports accounting for 60 per cent, but the supply side will ultimately be the limiting factor for this growth.

Norway with its extensive gas reserves base will carve out a 15 per cent share of supply to Europe and Dutch producers, whose reserves are either already committed or allocated, will continue to play a leading role. Britain, is likely to remain largely self-sufficient until the latter part of the decade when import demand is likely to pick up in Europe's second largest gas market.

Europe's growing demand is being spurred by the environmental resistance gas has over coal and oil products.

The second major development favouring gas, according to Mr Williams, is that there has been a steady increase in efficiency, reliability and size of industrial gas turbines which has handed gas a competitive edge.

Gas demand in the power generation sector in west Europe increased by more than 25 per cent in the last two years and current plans will increase gas-fired power generation capacity by 100 per cent by 1995. In east Europe, Shell estimates that demand could grow by between 15 per cent and, with a large switch away from coal, 90 per cent by 2010.

Falkland waters churned by hopes of oil

John Barham, recently in the Falklands, examines islander hopes of fabulous wealth

Exploration for offshore oil and gas fields in waters around the Falkland Islands could begin within the next 12 months, according to local officials.

A debate has raged over the possible existence of fabulous reserves in the South Atlantic since the mid-Seventies. However, island officials now say London could decide in a matter of months whether to approve legislation allowing them to sell exploration licences.

Previous surveys were inconclusive and the dispute with Argentina over the islands subsequently hampered more detailed work.

Mr Ronald Sampson, the Falkland Islands chief executive, says "the surveys found some hydrocarbons, but the technology has changed since then and so companies want to go back and look again."

Excitement in the islands over possible oil strikes is still founded on little more than wishful thinking. However, the islanders are confident that a major discovery will not only make them rich, but will tie the Falklands to Britain forever.

They are particularly anxious to have legislation in place before the next general election. They fear that if a Labour government were to be elected, it would adopt a more conciliatory attitude towards Argentina.

Despite its defeat by Britain in the 1982 Falklands conflict, Argentina still claims the islands. For that reason, a large oil discovery could strain rapidly improving relations between the two countries.

Mr Guido di Tella, Argentina's Foreign Minister, says he would expect Britain to "discuss" the issue of oil with Buenos Aires beforehand.

Nations may legally claim economic rights over the seabed to a depth of 2,500 metres or up to 350 miles from the coastline. Although extension of the Falklands' existing 150 mile exclusive economic zone would imply no claim of sovereignty, it would probably be greeted with considerable dismay in Argentina.

A diplomat adds "the Americans won't want us humiliating the Argentines by ignoring them and ask us to co-operate with them, while the Falklands don't even want to know about Argentina."

However, a Falkland official said the government will avoid "producing a red rag to the Argentine bull by designating areas to the west bordering the legitimate Argentine zone."

However companies operating with Argentine licenses have already discovered major gas fields off Tierra del Fuego, suggesting that areas to the west of the Falklands offer the greatest potential. According to the government, Shell, BP, Conoco, Occidental Petroleum and Western Geophysical, an independent exploration company, have all "expressed an interest" in looking for oil in the Falklands.

Investors crave stability, particularly in the aftermath of the Gulf War. Officials argue that the British garrison, considerably strengthened since 1982, explicitly guarantees the "political stability" – meaning rejection of Argentine control – the Falklands lacked in the past.

However, Mr Tony Blake, a wealthy Falklands sheep farmer who set up an oil services company in anticipation of an oil boom, sees political stability in a different light.

Although very much in a minority, he says: "We'd like to get Argentina involved, otherwise nothing is possible. Without agreement, there'll be no oil for anyone."

Not all Falklanders want potential reserves developed, fearing the oil industry would damage the environment. Others worry that the islands would not be able to absorb the huge flow of royalties without considerable social dislocation.

Officials envisage little direct participation in the industry for Falklanders, once an initial construction boom is over.

Distant offshore wells would be supplied directly from Britain and would ship their oil to Chile or Brazil. They claim a "minimum" oil development could produce royalties worth as much as £300m a year, of which 10 per cent would remain in the Falklands. Such a major source of tax revenues, they say, would discourage any future British government from surrendering the islands.

Chileans lured by turbot

Lesley Crawford in Santiago on fish farming

Chile's salmon farming success has inspired some intrepid entrepreneurs to venture into the unchartered waters of turbot farming.

Turbot is a succulent flatfish similar to the flounder whose natural habitat is the North Atlantic and Mediterranean seabeds. Only 10,000 tonnes are caught each year. Its wholesale price in Madrid and London can reach $20 a kilogram.

Only a handful of companies in the world possess the know-how to breed turbot in a controlled environment. The technology, which is still being developed, is a closely guarded secret.

When Fundacion Chile, a private foundation dedicated to launching new business ventures, decided to introduce turbot farming in Chile it imported the technology from Mannin Sea Farms in the Isle of Man.

The technology did not come cheap, says Mr Carlos Wurmann, Fundacion Chile's marine resources manager, but the $1m investment has paid off.

Last year a turbot nursery in the northern coastal town of Tongoy produced its first batch of 18,500 fish. This year the Tongoy venture is ready to enter the pre-commercial production phase.

Mr Wurmann hopes to export 50 tonnes of turbot in 1991. "We have studied the European market carefully," he says, "and we believe there is a hidden demand for turbot which could top 20,000 tonnes a year.

By the turn of the century, Chile could be exporting 2,000 tonnes of farmed turbot a year."

Fundacion Chile, which introduced salmon farming to Chile 10 years ago, will draw on its experience of marketing new products to launch Chilean turbot in Europe. But its long-term focus is in captivating the US and Japanese markets. "If I could find a way of exporting live turbot to Japan there would be no limit to the price it would fetch. We would hit the jackpot," says Mr Wurmann.

Fundacion Chile's marine scientists are studying how this could be done. It would probably entail flying the fish in specially-treated seawater.

Hatching the turbot eggs and getting them to grow to larvae which weigh five grams is the most delicate stage in the process.

Everything, from the food, oxygen content, temperature and acidity of the sea water is scientifically controlled. The hatchery is in a laboratory painted black to better simulate the turbot's natural environment.

After 20 days the larvae begin to look like flat fish. As the turbot does not swim, but spends most of its life on the seabed, one eye migrates to the top side of the fish.

The turbot progress from a dark green laboratory to a light green nursery, where they gradually become accustomed to light. By the time they reach 40 grams, they are ready to be transported to fattening tanks. When they reach 2kg they are ready for marketing.

Fundacion Chile will start building the biggest turbot hatchery in the world this year, while its sea-farm technicians are being trained in Europe.

The great advantage of turbot breeding know-how, says Mr Wurmann, is that it can also be applied to other flat fish, such as halibut, monkfish and sea bass.

The European Commission has decided to resume negotiations with Namibia over a fishing agreement after suspending them in April, Reuter reports.

Talks were called off because of a dispute between Namibia and Spain over illegal fishing in Namibian waters, and because the Commission thought the quota on offer was too small.

"The Commission has received assurances from the association of shipowners...that its members will respect Namibia's sovereignty over its territorial waters," the statement said.

Namibia welcomed the decision. "We hope it will now be possible to explore with the Community the conditions for long-term relations in the fish sector," a diplomat said.

Namibia has some of the world's richest fishing waters but fears that overfishing is depleting stocks. It wants to manage stocks so that 350,000 tonnes a year can be fished regularly.

In the 1970s, more than 500,000 tonnes were taken from Namibian waters. That dropped to about 110,000 tonnes last year. Authorities have set a quota of 60,000 tonnes this year, to be gradually raised to a self-sustaining target.

Malaysian palm oil stocks continue fall

By Lim Siong Hoon in Kuala Lumpur

MALAYSIAN palm oil stocks last month continued to decline to the lowest level in three years. The fall reflects the lower output during the first quarter while demand remained stable.

At the end of April the stockpile stood at 583,000 tonnes, down nearly 7 per cent from a month earlier, according to the Palm Oil Registration and Licensing Authority yesterday. This level is about half the peak reported in 1989, and almost 20 per cent below last December's volume of 719,000 tonnes.

First quarter output fell to 1.1m tonnes from 1.3m tonnes in the same 1990 period. However, April production rose by 8 per cent to 467,000 tonnes from 432,000 tonnes in March.

In the annual production cycle, tree yields tend to rise during the second quarter and peak in the third quarter.

If exports fail to rise, stocks could soon begin accumulate again. One trader noted that monthly Malaysian exports so far this year have been around 500,000 tonnes, with China and Pakistan being the principal buyers.

In these circumstances prospects remain dim that crude palm oil prices at the Kuala Lumpur Commodity Exchange will rise above M$1,000 a tonne as producers were hoping. Nearby prices have fallen from near M$900 a tonne earlier this year to M$780.

Malaysian production is expected to reach 6.5m tonnes this year after 6.1m tonnes last year.

To absorb the larger output, Malaysia has been lobbying China to increase its purchases and encourage its plantations to establish refineries for domestic seed-oil in that country and in new markets like Vietnam and Egypt.

In September, Malaysia is to revive its proposal for a regional palm oil producers' association that was first mooted in 1989. Under a memorandum of understanding signed earlier this month, talks are scheduled with Indonesia.

Polish copper strike spreads

A STRIKE at Poland's copper basin in Lower Silesia has spread to all four mines but exports remained normal due to large ore reserves, officials of the state copper combine said, Reuter reports from Warsaw.

A spokesman for the KGHM combine at Lubin in western Poland, said workers at the Lubin mine had joined the strike at the Rudna, Polkowice and Sieroszowice mines. But Henryk Karas, director general of Rudna, the biggest mine, said the strike was not hampering exports due to large reserves.

Copper is one of Poland's main exports to western Europe. Last year Poland exported about 60 per cent of its annual output.

The miners are demanding a 100 per cent pay increase.

Sugar surplus estimate rises

By David Blackwell

THE THIRD sharp increase in estimates of the world sugar surplus over demand for this year was published today. Czarnikow, the London trade house, now puts the overall 1990-91 surplus at 2.5m tonnes, compared with its February estimate 1.2m tonnes.

The new figure from Czarnikow is way below the 4.6m tonne forecast by E.D. & F. Man, another London trade house. The International Sugar Organisation on Tuesday came up with a surplus forecast of 3.69m tonnes, saying the scale of the surplus had changed "quite dramatically".

Czarnikow stresses in its May Sugar Review that it is important not to lose sight of the demand side of the equation. The review raises its production estimate by 2.58m tonnes to 113.97m tonnes, and lifts consumption to 110.83m tonnes "an upward revision of more than half the increase in our production forecast".

The review takes pains to explain the "disappearance factor" which accounts for the 600,000 tonne difference between the production and consumption figures. "Without such an allowance the level of stock carried forward from one year to the next begins to drift further and further away from the real position." Czarnikow believes this to be the case for some recent assessments.

Extra production has had an immediate impact on domestic markets as prices are checked or lowered, Czarnikow suggests.

This season has underlined the uncertainty of forecasting sugar statistics: "While some producers clearly have the ability to expand production in 1991-92, it remains to be seen whether they will choose to do so in the light of current world prices."

WORLD COMMODITIES PRICES

MARKET REPORT

Silver came off its earlier two month highs on the London bullion market in the afternoon on technical selling and profit taking. But it still closed 9.5 cents ahead at 411.5 cents a troy ounce. Dealers said expected chart selling weighed on the market when prices hit a high of 416 cents. In the morning the market was fairly active as widespread buying, some of it on Middle Eastern accounts, helped to underpin other precious metals. On the LME copper closed well down in a technically oversold market; fundamental weakness and the end of the recent squeeze signal further losses, dealers said. The cash price moved to a discount to three month metal. Potentially supportive factors, such as the escalating copper mine strike in Poland, are having little impact. Nickel, also technically oversold, continued its recent decline, although dealers said the retreat might run out of steam soon. A premium for cash metal has been established from June out as some operators are nervous about possible supply disruptions occurring if labour talks at Inco and Falconbridge in Canada do not run smoothly. July cocoa in London touched a new 15½-year low of £602 a tonne, before recovering to close at £605.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.80-5.95u	+.075
Brent Blend (dated)	$18.75-8.85	-.025
Brent Blend (Jul)	$19.25-9.35	
W.T.I. (1 pm est)	$20.85-0.90u	+0.02
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$242-244	-2
Gas Oil	$181-182	+1
Heavy Fuel Oil	$67-69	+1
Naphtha	$198-200	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$360.15	+2.35
Silver (per troy oz)♣	411.5c	+9.5
Platinum (per troy oz)	$394.0	+3.75
Palladium (per troy oz)	$95.5	+1.25
Aluminium (free market)	$1310	-15
Copper (US Producer)	103c	-2
Lead (US Producer)	34c	
Nickel (free market)	389c	-5
Tin (Kuala Lumpur market)	15.53r	+0.07
Tin (New York)	270c	+1
Zinc (US Prime Western)	62c	
Cattle (live weight)†	111.27p	-0.52*
Sheep (dead weight)†	185.21p	-31.2*
Pigs (live weight)†	86.04p	+2.75*
London daily sugar (raw)	$187.0q	-3.0
London daily sugar (white)	$284.8q	-0.9
Tate and Lyle export price	£220.0	-2.5
Barley (English feed)	£108v	
Maize (US No. 3 yellow)	Unq.	
Wheat (US Dark Northern)	£97	
Rubber (Jun)♥	53.25p	+0.25
Rubber (Jul)♥	53.75p	+0.50
Rubber (KL RSS No 1 Jun)	225.5m	+0.5
Coconut oil (Philippines)§	$350x	
Palm Oil (Malaysian)§	$327.5	
Copra (Philippines)§	$227.5u	
Soyabeans (US)	£156	-3.5
Cotton "A" Index	84.45c	+1.10
Wooltops (64s Super)	372p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-May/Jun l-Jun/Sep u-Jul v-Jul/Aug. x-Jul/Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	170.00	168.60	171.00	167.00
Oct	170.00	167.80	171.00	166.00
Dec	173.00	180.00	165.00	
Mar	171.60	169.20	172.00	170.00
May	175.60	180.00	174.00	
Aug	180.00	185.00	174.00	
Oct	180.00		178.00	
White	**Close**	**Previous**	**High/Low**	
Aug	274.0	270.5	272.0	269.0
Oct	246.0	243.0	246.0	241.0
Dec	244.5		244.0	240.3
Mar	246.0		245.0	242.3
Aug	262.0	252.5	244.0	

Turnover: Raw 280 (328) lots of 50 tonnes. White 673 (626)
Paris- White (FFr per tonne)(May 10): Aug 1584, Oct 1406.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Jun	19.13	19.06	19.14	18.94
Jul	19.43	19.29	19.44	19.18
Aug	19.60	19.32	19.60	19.39
Sep	19.72	19.65	19.72	19.50
Oct	19.75	19.66	19.75	19.54
Nov	19.57		19.57	
IPE Index	19.18	19.42	19.16	

Turnover 13673 (7575)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jun	176.00	175.25	176.00	173.00
Jul	173.50	172.50	173.50	170.75
Aug	174.75	174.25	174.75	172.50
Sep	177.00	177.00	177.75	175.00
Oct	179.50	178.75	179.50	177.00
Nov	181.25	180.50	181.25	178.50
Dec	182.00	181.75	182.00	179.50
Jan	180.00	179.50	180.00	177.00
Feb	175.50	176.50	176.00	

Turnover 7134 (7680) lots of 100 tonnes

WOOL
Australian wool prices are continuing the rapid rate of rise they reached late last week. The market indicator reached 671cents/kg on May 15, which compares with a February low point of 428, and the old floor price basis of 700 cents. It seems that some sellers acted over-hastily in the earlier depressed free-market days and are having problems meeting commitments. So far, no Australian stockpile wool is on offer before July 1, though there is agitation to get some released in order to relieve present pressures. Wool is selling elsewhere also, with prices at least firm.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
May	580	588	589	580
Jul	605	613	615	603
Sep	637	641	642	631
Dec	670	675	675	666
Mar	702	708	708	699
May	724	729	730	723
Jul	746	750	753	742

Turnover: 3383 (5365) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 14 788.96 (779.11) 10 day average for May 15 801.05 (803.70)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
May	530	532	535	532
Jul	558	569	562	558
Sep	580	582	584	579
Nov	602	604	605	600
Jan	621	623	624	620
Mar	639	641	640	638

Turnover:2980 (2334) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 14 : Comp. daily 68.13 (67.95). 15 day average 68.39 (68.55)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Mar	133.0	133.8	133.0	
Apr	134.4	136.2	135.5	133.9

Turnover 108 (182) lots of 40 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	124.50	124.00	124.50
Aug	129.00	125.00	129.00

Turnover 75 (62) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
May	1650	1628	1650	1630
Jun	1555	1511	1555	1500
Jul	1399	1340	1399	1330
Oct	1492	1436	1495	1445
Jan	1493	1448	1485	1460
Apr	1493		1470	
Jul	1283		1270	
BFI	1642	1639	1642	

Turnover 308 (246)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
May	137.60	136.55	138.75	137.75
Jun	138.40		138.75	138.40
Sep	111.25	111.10	111.25	111.15
Nov	114.15	114.05	114.15	114.00
May	123.00	123.30	123.50	123.30
Barley	**Close**	**Previous**	**High/Low**	
Sep	108.10	107.95	108.00	

Turnover: Wheat 379 (216), Barley 3 (3).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jun	123.4	121.5	120.5	120.0
Jul	118.0		118.0	118.0
Sep	114.5		115.0	114.5
Oct	114.0		115.0	114.5
Nov	111.2		111.5	
Jan	107.0		108.0	

Turnover:100 (42) lots of 3,250 kg

BIGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	141.18	143.45			
Jun	142.10	141.50	142.10	141.30	125
Jul	141.50	142.60	142.10	141.50	62
Sep	142.00	142.60	142.10	142.00	87
Dec	142.50	143.10	142.60		

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 22,042 lots	
Cash	1311-3	1306-8		1308-9		
3 months	1340-1	1335-6	1345/1323	1337-8	1343-4	75,747 lots
Copper, Grade A (£ per tonne)					Total daily turnover 36,085 lots	
Cash	1281-3	1343-5	1300/1283	1299-300		
3 months	1288-9	1308-9	1299/1288	1296-7	1291-2	109,658 lots
Lead (£ per tonne)					Total daily turnover 2,455 lots	
Cash	318.5-9.5	315-6		317-8		
3 months	331.5-2	328.75-9	334/328	330.5-1.5	332-3	13,764 lots
Nickel ($ per tonne)					Total daily turnover 1,693 lots	
Cash	8325-40	8435-45	8560/8350	8355-60		
3 months	8385-70	8465-70	8600/8350	8415-20	8380-400	10,276 lots
Tin ($ per tonne)					Total daily turnover 1,678 lots	
Cash	5790-800	5790-800	5795/5765	5795-7		
3 months	5870-80	5810-20	5880/5840	5870-5	5865-70	6,430 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 5,887 lots	
Cash	1081-3	1079-80	1074/5	1074.5-5		
3 months	1086-7	1082-3	1086/1085	1087-8	1087-8	28,797 lots

LME Closing £/$ rate:
SPOT: 1.7495 3 months: 1.7254 6 months: 1.7062 9 months: 1.6916

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	359.80-360.40	
Opening	359.00-359.50	
Morning fix	360.25	205.664
Afternoon fix	359.85	206.199
Day's high	361.20-361.60	
Day's low	359.00-359.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	6.21	6 months	6.15
2 months	6.19	12 months	5.13
3 months	6.19		

Silver fix	p/fine oz	US cts equiv
Spot	235.95	411.70
3 months	242.80	417.80
6 months	248.10	425.95
12 months	261.50	437.85

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	360.00-361.00	205.25-205.75
Maple leaf	368.00-369.00	211.00-211.50
New Sovereign	83.00-86.00	48.75-49.75

TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
550	89			
575	21	18	1	14
600	4	7	13	77
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
550	57		2	
600	19	82	14	12
650	4	26	49	40
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
1850				
1900		28		
1950				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	359.8	360.1	0	0
Jun	360.8	361.2	362.2	359.8
Jul	362.6	363.0	0	0
Aug	363.4	363.8	365.9	363.1
Oct	366.1	366.5	368.4	366.0
Dec	368.9	370.0	371.0	368.3
Feb	372.7	373.2	373.3	373.5
Apr	375.7	376.2	0	0
Jun	378.1	378.6	379.2	379.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	396.4	393.5	400.0	395.0
Oct	400.7	397.5	403.5	399.0
Jan	401.5	400.0	405.5	404.4
Apr	408.3	403.2	403.5	403.5
Jul	413.2	408.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	410.0	404.5	411.0	406.5
Jun	410.7	403.2	0	0
Jul	413.3	407.8	418.0	410.5
Sep	418.2	412.7	422.8	415.5
Dec	425.4	419.6	429.0	423.5
Jan	427.4	421.7	0	0
Mar	433.6	428.2	432.0	432.0
May	438.4	432.6	441.0	436.0
Jul	443.6	437.8	0	0
Sep	449.7	443.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	100.20	99.25	100.40	99.50
Jun	99.30	98.55	0	99.45
Jul	98.50	97.50	99.20	98.10
Aug	98.05	97.40	98.10	98.00
Sep	97.60	97.00	98.40	97.60
Oct	97.00	96.60	0	0
Nov	96.60	96.60	0	0
Dec	96.20	96.40	97.50	96.60
Jan	96.90	96.10	0	0
Feb	95.60	95.60	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	20.85	20.74	20.96	20.61
Jul	20.95	20.87	21.04	20.76
Aug	21.04	20.90	21.07	20.83
Sep	21.06	20.91	21.09	20.88
Dec	21.05	20.92	21.10	20.90
Jan	21.00	20.87	21.10	20.86
Feb	20.92	20.83	20.92	20.83

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	5665	5545	5565	5530
Aug	5680	5622	5685	5615
Sep	5690	5779	5820	5765
Oct	5910	5859	5910	5870
Nov	5990	5955	6015	5970
Dec	6055	6035	6075	6035
Jan	6000	5965	6000	5970
Feb	5760	5765	5745	5720

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	986	989	0	0
Jul	991	1000	1007	998
Sep	1021	1029	1035	1018
Dec	1063	1070	1077	1058
Mar	1101	1111	1115	1100
May	1120	1129	1132	1124
Jul	1160	1162	1165	1157
Sep	1170	1177	1180	1176

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	88.00	88.15	88.00	88.00
Jul	89.45	89.20	89.60	88.90
Sep	91.20	91.20	91.65	90.80
Dec	94.25	94.30	94.60	93.75
Mar	97.30	97.40	97.50	96.65
May	98.25	99.15	99.50	99.00
Jul	101.50	101.25	0	0
Sep	103.25	103.15	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	7.69	7.75	7.83	7.76
Oct	7.88	7.85	7.73	7.65
Mar	7.76	7.87	7.80	7.66
May	7.87	7.77	7.85	7.78
Jul	7.85	7.77	0	0
Oct	8.15	8.05	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	91.60	90.35	92.00	90.60
Oct	82.61	81.00	82.65	81.57
Dec	76.15	74.19	75.00	74.60
Mar	77.11	75.91	75.90	75.25
May	78.88	77.70	77.70	77.20
Jul	78.53	78.78	76.60	75.84

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	118.70	118.75	119.75	118.75
Jul	118.75	118.20	119.40	118.20
Sep	119.00	118.15	120.00	118.95
Nov	118.40	118.60	118.25	

INDICES

REUTERS (Base: September 18 1931 = 100)

May 15	May 14	mnth ago	yr ago
1712.5	1717.8	1752.6	1918.11

DOW JONES (Base: Dec. 31 1974 = 100)

	May 14	May 13	mnth ago	yr ago
Spot	128.83	128.10	128.27	134.56
Futures	128.65	128.41	128.86	133.18

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	562/0	563/0	566/4	562/0
Jul	571/2	570/6	578/2	570/6
Aug	574/6	575/4	580/2	574/4
Sep	578/2	573/4	580/6	576/0
Nov	584/2	583/4	588/6	583/6
Jan	595/2	595/6	600/0	595/0
Mar	606/4	605/6	610/0	605/0
May	618/0	616/0	619/4	616/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	19.65	19.72	19.80	19.65
Jul	19.88	19.91	20.10	19.85
Aug	20.04	20.10	20.27	20.03
Sep	20.22	20.29	20.44	20.20
Oct	20.39	20.44	20.59	20.37
Dec	20.70	20.80	20.92	20.67
Jan	20.86	20.90	21.05	20.86
Mar	21.11	21.25	21.37	21.11

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	172.2	169.6	171.0	169.7
Jul	172.0	171.4	172.8	171.3
Aug	172.8	172.6	173.4	172.3
Sep	174.2	173.7	173.5	174.0
Oct	175.1	174.4	175.2	174.9
Dec	177.0	176.7	178.4	177.0
Jan	178.0	177.1	179.2	178.0
Mar	179.0	178.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	238/0	240/2	240/4	237/6
Jul	245/4	247/2	249/4	245/2
Sep	247/4	247/0	248/6	247/0
Dec	244/2	247/4	248/0	244/2
Mar	255/4	256/4	255/2	254/0
May	257/2	258/4	259/0	257/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	294/0	288/0	297/0	294/0
Jul	288/6	290/2	292/2	286/4
Sep	293/0	301/2	295/2	293/0
Dec	311/0	314/2	314/2	311/0
Mar	320/0	321/6	322/4	319/4
May	317/0	319/0	319/4	317/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	74.77	75.10	74.97	74.72
Aug	72.72	73.30	73.17	72.70
Oct	74.00	74.90	74.85	73.95
Dec	74.77	75.17	75.17	74.77
Feb	74.82	74.97	75.00	74.82
Apr	75.60	75.85	75.80	75.57
Jun	73.97	74.25	74.15	73.95

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	57.70	57.65	57.90	57.35
Jul	56.52	56.22	56.45	56.05
Aug	55.65	55.47	55.40	55.05
Oct	48.05	48.05	48.20	47.85
Dec	47.85	47.80	47.85	47.40
Feb	47.70	47.60	47.70	47.40
Apr	45.87	45.80	45.87	45.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	62.75	60.75	62.75	59.70
Jul	62.75	60.75	62.75	60.75
Aug	60.15	59.45	60.15	58.90
Feb	57.00	55.60	57.00	56.00
Mar	56.80	55.60	56.80	56.50

LONDON STOCK EXCHANGE

Hanson news helps equities to steady

THE LONDON equity market looked increasingly gloomy yesterday as hopes for an early cut in base rates melted away and the Conservative government seemed fated to hear bad news from today's Monmouth by-election. However, it found sustenance at the close from the disclosure that Hanson, the UK conglomerate, was the mystery buyer of a 2.82 per cent stake in ICI.

The Hanson move was seen as positive for equities and the day's fall in the FT-SE Index was restrained by the strength of ICI shares, which extended their gain in late dealings.

Trading in ICI was brisk from the opening, when the shares were marked up to match the 1194¼p price at which Smith New Court had apparently passed on 20m shares to its client at the close of trading on Tuesday. The stock soon moved higher and raced ahead after Hanson's role was revealed.

The disclosure threw ICI trading into confusion, with Seaq quotations indicating that stock could, theoretically, be bought from some marketmakers and sold on to others at a higher price. The final official Seaq quotation put ICI 60 up at 1218p on volume of 7.8m shares. But very late deals saw the stock at 1245p before reacting to a 1225p-1230p quotation.

The deal is "very positive for the market," said Mr Ian Harnett of Strauss Turnbull; he believes it indicates Hanson support for equities at current levels, and thus for the view that the UK economy and interest rates will soon turn in the market's favour.

At its final reading, the FT-SE Index was a net 4.3 lower at 2,459.4, having recouped five points of an earlier loss in the few minutes left for trading following the Hanson/ICI news.

The market was on the downside for most of the day, although the Footsie was supported by the fresh advance in ICI shares. At its low point, the Footsie was 14 off at 2,449.7, and equity strategists drew heart from the market's success in rallying from Footsie 2,450, which had been identified as a testing level.

Trading volume remained poor, with only 344.8m shares traded through the Seaq network compared with 507.8m on Tuesday when the ICI trades were recorded. Once again, the water stocks provided a weak sector as political worry that privatisation might be reversed by an incoming Labour government intensified ahead of the Monmouth poll. Insurance stocks responded cautiously to news from shareholders' meetings at several companies.

There was little change in the economic or political background which has been depressing equities since the middle of last week. UK public opinion polls continued to promise ill-fortune in Monmouth for Mr John Major's government and hopes for an early base rate cut faded yet further as government aides were reported as stressing that beating inflation remains the number one priority – reports which proved more popular with government bonds than with equities.

Nor was the picture any more encouraging on the international front, where both New York and Tokyo were lower overnight and the New York market showed a further fall of nearly six Dow points as London closed down yesterday.

Wall Street oriented stocks were mostly lower in London as the Dow extended its fall below 2,900 and Federal bonds also gave ground. Oil stocks were easier and RTZ suffered from downgradings by UK brokerage analysts. Reckitt & Colman, another US favoured stock also gave ground.

Account Dealing Dates		
First Dealings:		
Apr 29	May 20	Jun 3
Option Declarations:		
May 16	May 30	Jun 13
Last Dealings:		
May 17	May 31	Jun 14
Account Day:		
May 28	Jun 10	Jun 24

"New-time dealings may take place from 8.30 am two business days earlier.

ICI leads market again

THE MARKET was caught on the hop for the second day running as, just three minutes before the close of dealing yesterday, Hanson was revealed as the mystery buyer of the 20m ICI shares.

The shares, which had already raced ahead by around 50p following Tuesday's share raid by securities house Smith New Court, fell into technical difficulties after the announcement. For a while it was technically possible, according to the Seaq trading screens, to buy the shares at one price and re-sell at a higher price. At the official close, ICI were 60 stronger at 1218p on a turnover of 7.8m, high for the stock.

The announcement effectively came too late to help Hanson, but the stock finished a net half-penny firmer at 220½p after languishing around 4 lower throughout the day.

Smith New Court also benefited in the market, the shares ending 12 ahead at 135p after other traders bought the stock to take advantage of its deal, which is believed to have netted Smith in excess of £5m.

Burton weakens

Burton, the high street fashion retailer, fell by 12 per cent as brokers substantially lowered their profits forecasts for this year and next.

The shares closed 10 weaker at 83p on particularly high turnover of 9.4m as a question mark was placed over Burton's ability to pay a final dividend when the company reports later in the year.

Mr Nick Bubb of Morgan Stanley reduced his current and following years' forecasts. The final dividend would be just 1p from a previous estimate of 3p.

Clothing sales are still weak and show no immediate signs of recovery, while the increase in Value Added Tax and rising costs continue to squeeze Burton and other retailers, Mr Bubb added.

BP under pressure

There was further persistent selling pressure in BP, which declined 4¼ to 325½p. Among a number of stories surrounding BP was a lingering suspicion that the company could be preparing a hefty rights issue. BP currently has net debt of almost £7bn and gearing of around 63 per cent.

Specialists refused to dismiss the rights issue rumours, although some said any large cash call would accompany a big acquisition, probably involving gas and almost certainly in the US. It was also pointed out that there remained the threat of a heavy share placing in the form of the Kuwait Investment Office's 9.9 per cent stake and the UK government's remaining 2 per cent holding.

Another vague suggestion in the market was that BP may be in the process of preparing for the sale of a further batch of North Sea interests as part of a wider plan to shift its assets away from the area.

Burmah Castrol dropped 14 to 550p and Calor came under renewed pressure to close 4 easier at 215p; turnover in the latter was almost 500,000, well ahead of usual levels in the stock. Dealers said the weakness in Calor of late came as a result of heavy criticism of the company's performance in the recent past.

The critical remarks were made in the latest annual report of SHV, the privately owned Dutch company which holds a 44.2 per cent stake in Calor and installed an SHV director as Calor chairman earlier this year. Burmah Castrol has a 9.14 per cent shareholding in Calor.

The market interpreted SHV's disparaging remarks as bearish for Calor, but some traders said SHV may well use the weakness of Calor shares as an opportunity to launch a bid for the outstanding equity. Another suggestion in the market was that SHV and Burmah may seek to raise cash by launching a bond issue, convertible into their respective holdings in Calor.

British Gas was up 2¼ more at 235½p, after 237p, still boosted by the more reassuring remarks made by Mr James McKinnon to a Society of Investment Analysts gathering on Tuesday.

British Aerospace responded belatedly to a broking house buy recommendation by rising 11 to 608p. Charterhouse Tilney analyst Mr Clive Forestier-Walker expects positive news on the Al Yamamah project with Saudi Arabia – the group's predominant profits generator – to dispel the current gloomy sentiment surrounding the stock. It is trading near a two-year PER (price/earnings ratio) relative low, he said. "Ahead of the Paris Air-show this is an anomaly."

A downbeat trading statement pushed Avon Rubber back 8 to 270p. Interim profits were not as bad as the market had expected because the company's defence-related activities were temporarily boosted by the Gulf crisis.

The effect on sentiment, however, was annulled by the warning that second-half trading is likely to be more difficult than the first, and that a recovery is not anticipated until 1992. Analysts subsequently clipped full year profits estimates to around £5.5m to £6m.

Diploma, the semiconductor and building supplies group, suffered similarly after reporting half-yearly profits disappointingly short of expectations. They were down 29 per cent at £6.3m, and caused an immediate revision of forecasts for the 12-month period.

Mr Robert Millington of BZW and Mr James Ross of Hoare Govett both moved from £18.5m to the respective levels of £14m and £15m, but Mr Millington feels this year will mark the low point in earnings progression. Diploma shares dipped to 224p before closing 15 lower on balance at 236p.

Grand Metropolitan slipped 6 to 779p on a turnover of 3m following a 2.8 per cent fall in half-year profits. Mr John Wakeley of Lehman Brothers said the results were not too bad considering the impact of the Gulf war, recession and the negative effect of exchange rates.

He said they highlighted the fact that "the drinks industry has the power to overcome these problems". He was considering shifting his stance on the stock from negative to neutral but felt it was still too expensive.

Guinness and Allied-Lyons gained from spin-off support. The former, which is heavily involved in distilled spirits, rose 9 to 936p and Allied-Lyons put on 2 to 554p.

Worries over the extent of the possible losses on the oil rig conversion contract continued to weigh on Davy Corporation. In nervous trading the shares fell 7 further to 111p.

Concentric was another engineering stock to experience weakness, falling 15 to 240p after reporting interim profits of £2.02m. This was 55 per cent down on the £4.45m achieved for the corresponding period last year.

Computer software and services company Quotient jumped 65 to 183p on a recommended share and cash offer from fellow computer house ACT Group. The latter eased 4 to 101p on thoughts that the deal is likely to be dilutive in the first year. County NatWest, however, maintains that "earnings upside will come through substantial overhead scale economies and from ACT's strong marketing".

J. Sainsbury receded 6 to 384p after reporting final profits of £518m, up £67m from a year ago but still towards the lower end of analysts' forecasts. Brokers left their current year predictions unchanged at around £595m. The possibility of additional stock finding its way into the market as bond holders convert into equity at the beginning of the new account next week also depressed the shares.

Granada lost 4 to 169p on the surprise news that it was to be the target of a bid by a consortium that includes Yorkshire Television and Tyne Tees, which were firm at 308p and down a penny at 272p respectively.

Airtours, the tour operator and holiday group, fell 16 to 459p after Tuesday's bounce as the market took a more realistic view of the company's potential profits for the year. Brent Walker, the leisure conglomerate, picked up following its recent steep drop and closed 5 better at 32p.

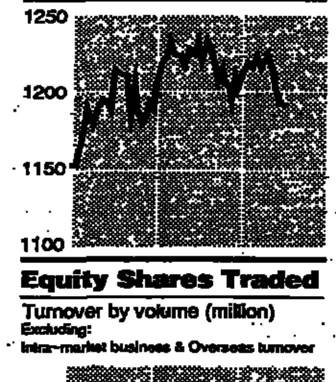
Egerton Trust plunged 7 to 8p as it announced it was discussing a major financial restructuring package with its bankers. It also confirmed that its 1990 results will reveal substantial losses.

The prospect of a heavy defeat for the Conservative party at today's by-election in Monmouth continued to weigh heavily on the politically sensitive water issues. The sector also responded to a strategy note published by Hoare Govett, recommending clients to consolidate their Water Package holdings into four stocks, Severn Trent, Thames, Welsh and Yorkshire.

Hoare's utilities team reminded institutions that the Package will lose its quotation on July 12 and said funds should concentrate on the four named stocks which would spread the risk. Hoare said it expected average long-term dividend growth for the four to be at least 11 per cent nominal per annum on the assumption of a 5 per cent inflation rate.

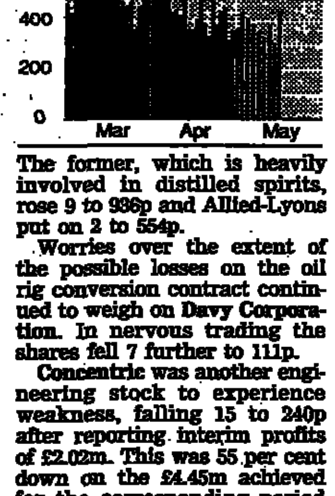
■ Other Market statistics, including the FT-Actuaries share index and London Traded Options, Page 25

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (40).
BRITISH FUNDS (1) Treas. 9pc 1992, BREWERS (2) Guinness, Do. 5¾pc Cnv. Prf., BUILDINGS (1) Boot (H), CHEMICALS (1) ICI, STORES (1) Jacques Vert, ELECTRICALS (2) Admiral, Butler Cox, FOODS (3) Banks (Sidney C), Shoprite, Sims Food, INDUSTRIALS (12) Astra AB A, Betterware, Bodycote, Cornwell Parker A, EIS, Harris (Ph), ISS-Intl. Serv. Sys. B, Office & Elect., Quotient, Sanders & Sidney, Security Archives, Young (H), INSURANCE (1) Utd. Friendly B, NEWSPAPERS (1) Blenheim, PAPERS (1) CIA, TEXTILES (2) Lamont, Parkland A, TRUSTS (3) Fleming Fdg., Korea-Europe, Murray Smaller Markets, MINES (5) Cons. Murchison, Doornfontein, Elsburg, Johannesburg Cons., Lydenburg, Middle Witwatersrand, New Wits, Western Areas, Winkelhaak.

NEW LOWS (31).
BRITISH FUNDS (3) Conv. 10pc 1996 B, Treas. 13pc 2000 A, Treas. 9pc 2008 C, CORPORATION LOANS (1) Birmingham 11½pc 2012, BANKS (1) Reflex Invs., BREWERS (1) Merrydown Wine, BUILDINGS (3) Bailey (B), Jackson, Westminster Scaffldg., STORES (1) Upton & Southern, ELECTRICALS (2) Jones Stroud, Microvitec, FOODS (2) ASDA, Budgens, INDUSTRIALS (6) Ensor, G.C.F., Gestetner, Plastiseal, Tamaris, INSURANCE (1) Trade Indemnity, LEISURE (1) TVS Ent. 7.4pc Prf., PROPERTY (4) Brit. Land 8¾pc Cnv. 2011, Cardiff, Cussins, Greycoat, Merchant Manuf. Ests., TRUSTS (3) Aberdeen, Baillie Gifford-Tech., Korea Liberal Wrrnts., OILS (2) Aviva, Clyde, MINES (1) Anglesey.

FINANCIAL TIMES STOCK INDICES

	May 15	May 14	May 13	May 10	May 9	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.33	84.33	84.78	84.94	85.03	76.91	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.57	93.91	94.10	94.11	94.12	86.13	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1926.2	1925.3	1942.6	1974.5	1996.2	1739.8	2014.5 (5/4)	1606.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	153.8	144.5	144.2	145.7	146.6	218.0	179.7 (14/1)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2459.4	2463.7	2486.6	2524.3	2541.6	2221.1	2545.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1146.26	1154.15	1163.36	1172.17	1171.30‡	-	1176.39 (15/4)	938.62 (16/1)	1176.39 (15/4/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.98	4.98	4.94	4.87	4.82	5.27				
●Earning Yld %(full)	8.77	8.80	8.85	8.73	8.64	11.83				
●P/E Ratio(Net)(☆)	14.08	14.03	13.89	14.08	14.22	10.22				
SEAQ Bargns 4.45pm	26,129	26,463	26,792	31,104	28,368	24,385				
Equity Turnover(£m)†	-	1082.10	591.02	807.77	725.89	875.32				
Equity Bargains†	-	26,279	26,343	31,242	28,641	23,818				
Shares Traded (ml)†	-	439.3	305.6	388.3	330.0	373.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 13.50 ‡ Indicative

Ordinary Share Index, Hourly changes — Day's High 1929.6 — Day's Low 1917.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1918.9	1929.4	1922.1	1919.0	1922.2	1928.1	1927.0	1926.4	1923.0

FT-SE 100, Hourly changes — Day's High 2466.2 — Day's Low 2449.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2456.3	2466.0	2457.8	2451.3	2457.3	2463.7	2462.0	2461.9	2456.2

FT-SE Eurotrack 200, Hourly changes — Day's High 1147.72 — Day's Low 1143.11

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1145.94	1145.28	1144.11	1145.27	1146.59	1146.26	1146.53

GILT EDGED ACTIVITY

Indices*	May 14	May 13
Gilt Edged Bargains	105.4	109.0
5 – Day average	90.6	85.4

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	4,500	77	+2
ASDA Group	3,600	112	-2
Abbey National	1,100	266	-1
Albert Fisher	1,600	122	-1
Allied-Lyons	1,700	554	+2
Amstrad	866	73	+1½
Anglian Water	1,000	286	+3
Argos	196	303	
Argyll Group	719	307	+1
Ass. Brit. Foods	37	505	
[illegible]	[illegible]	[illegible]	[illegible]
Dalgety	591	378	+3
De La Rue	322	354	-1
Dixons	1,700	192	+1
ECC Group	1,000	410	-2
Eastern Elect.	1,000	178	+1
East Midland Elect.	596	194	-1
Enterprise Oil	963	523	-3
Eurotunnel Units	844	485	
FKI	2,600	68	
Ferranti	1,200	10	-2
[illegible]	[illegible]	[illegible]	[illegible]
Manpower	98	70½	+½
Marley	189	249	
Marks & Spencer	3,700	253	-4
Maxwell Comms.	324	221	-2
Midland Bank	1,300	216	+1
Midlands Elect.	438	207½	+3½
NatWest Bank	6,200	313	-1
National Power	7,000	135½	+1½
Next	2,200	28½	-½
North West Water	1,600	295	+2
[illegible]	[illegible]	[illegible]	[illegible]
Slough Ests.	1,600	240	-7
Smith (W.H.) A	306	392	-4
Smith & Nephew	5,800	124½	+1½
SmKl Beecham	3,300	760	-7
SmKl Beecham Uts.	378	3308	-75
Smiths Inds.	158	257	-3
Southern Elect.	384	202	-2
South Wales Elect.	331	250	+3
South West Water	1,000	304	-6
South West. Elect.	128	202	-1
[illegible]	[illegible]	[illegible]	[illegible]
Buzzl	237	91	
Burmah Castrol	314	550	-14
Burton	9,900	83	-10
Cable & Wire.	466	523	+1
Cadburys	1,000	359	-2
Calor Group	491	215	-4
Carlton Comms.	289	440	-1
Coats Viyella	1,200	148	+1
Comm. Union	168	489	+2
Cookson	319	128	-1
Courtaulds	882	382	+2
Land Securities	674	528	+7
Laporte	113	575	+3
Legal & General	1,400	426	-4
Lloyds Abbey	332	400	+2
Lloyds Bank	769	340	-2
LASMO	718	334	-9
London Elect.	927	204	-1
Lonrho	1,500	154	-3
Lucas	516	157	+2
MB Caradon	635	223	+3
MEPC	738	512	+6
Ryl Bk Scotland	3,100	181	
Royal Insurance	727	425	+2
Saatchi	2,200	19¼	
Sainsbury	3,300	384	-6
Scottish & New.	1,100	387	-2
Sears	1,800	88	+½
Sedgwick	131	248	-1
Seeboard	576	182	
Severn Trent Water	2,000	274	-1
Shell Transport	3,400	502½	-1½
Siebe	166	401	-4
Welsh Water	607	338	-5
Wessex Water	415	328	-3
Whitbread 'A'	501	482	-2
Wiggins Teape	1,000	228	-2
Williams Hldgs.	1,600	290	+2
Willis Corroon	1,100	291	-3
Wimpey	125	208	
Yorkshire Elect.	497	238	+1
Yorkshire Water	574	327	+2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

THE revelation that Hanson had taken a 2.82 per cent investment stake in ICI caused a spurt in after-hours' dealing on the London International Financial Futures Exchange.

Before Hanson's announcement the equity futures market had spent most of the session cautiously edging higher as dealers awaited news on who had taken the ICI stake.

The June FT-SE 100 index contract had closed on the Liffe floor at 2,468, up 3 points on the day. But minutes later Hanson made its surprise announcement, triggering speculation that a full-scale bid for ICI was in the offing.

So when the equity futures market reopened on screen-based after-hours' dealing, prices rallied. By the close, June FT-SE was at 2,479, up 11 points on the 4.10pm close.

Mr Harvey Neale of UBS Phillips & Drew said he was surprised at the slow reaction in after-hours' dealing to the news and said he expected further gains when the market opens today.

The warning of slower trading at BTR's Australian subsidiary prompted a slide in its shares and heavy turnover in traded options. A seller of 1,000 August 390 calls and buyers of August 420 calls lifted dealing.

ICI July 1150 and 1200 puts were actively traded. There were also buyers of calls to cover short positions.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Over Fifteen Years

Undated

Index-Linked

Five to Fifteen Years

[illegible]

BRITISH FUNDS—Contd

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

APPOINTMENTS

Chairman of J.Lyons & Co

■ Mr David Jarvis, aged 44, has been appointed a director of ALLIED-LYONS and chairman and chief executive of J. LYONS & COMPANY. Mr Jarvis joined the group in 1972. After various posts with the food division he moved to Harveys of Bristol as finance director in 1984. In 1988 he was appointed managing director of Allied Distillers, and became a director of Hiram Walker-Allied Vintners in January 1990. Mr Jarvis became sector chairman - Far East and special markets for Hiram Walker-Allied Vintners in November 1990.

■ CREDIT LYONNAIS SECURITIES, London, has appointed Mr Sean McLaughlin as finance director. He was a senior manager, corporate finance division, Touche Ross & Co.

■ Following a reorganisation, GOODA WALKER, Lloyd's managing agents, has appointed Mr David Jewell as chairman and Mr Derek Walker as deputy chairman. From June 1 Mr John Moir becomes managing director, subject to Lloyd's approval. Mr Moir joins from the Merrett Group, where he is managing director of MIS Underwriting Agency, and a director of Merrett Underwriting Holdings. Mr Malcolm Maxwell and Mr John King will also join the board.

■ Mr Charles Hopwood has been appointed to the main board of LEEDS GROUP. He is managing director of Strines Textiles, recently acquired by Leeds Group.

■ FREEMAN GROUP has appointed Mr Ian Stanford as managing director of its insulation and specialist contracting subsidiary, Freeman Contracts.

■ NEW REINSURANCE COMPANY, Geneva, has appointed Mr Michael E. Walper as managing director and secretary of its UK contact office, Reinsurance Management Ltd, following the retirement of Mr Robert E. Philp.

■ Mr R.D. Carver, a non-executive director, has been appointed chief executive of THE COVERDALE ORGANISATION. He succeeds Mr R.E. Lintott, who has completed his term of office and resigned from the board.

■ RAPID-GEN SYSTEMS has promoted Ms Margaret McGladdery from managing director to chairman.

■ MAGOG INDUSTRIES, Ware, following its twinning with AMEG, Lugano, has made the following board changes: Dr Gerald Hampel, chairman; Mr Hellmuth Rauch, managing director; and Dr Peter Klenk, director. Mr Tom Gilbey remains a director, and Mr Mike Patmore remains a director and company secretary.

■ Mr Steven Burnett has been appointed actuary of SWISS LIFE (UK). Soon after his appointment he is expected to take over as appointed actuary from Mr Chris Ide, managing director. Mr Burnett was life development actuary at TSB Trust Company.

■ Mr John J. Phelan Jr, chairman of the Federation Internationale des Bourses de Valeurs, has been appointed chairman of the INTERNATIONAL CAPITAL MARKETS GROUP.

■ Mr Dick Langley (*pictured*) has been appointed managing director of MAHO MACHINE TOOL, Coventry. He was general manager of Bostomatic UK, and succeeds Mr Alan Magraw who has taken early retirement.

■ RMT GROUP, computer supplies distributor, has appointed Mr John Sainsbury as finance director. He was financial controller of BET Personnel Services (formerly Hestair).

■ Mr Nobuo Suzuki has joined IBJ INTERNATIONAL, London, as deputy managing director on secondment from The Industrial Bank of Japan.

Cookson Group US post

■ Mr Donald L. Carcieri has been appointed president of Cookson America Inc in place of Mr Richard Oster who has become group managing director of COOKSON GROUP. Mr Carcieri, who has been executive vice president since 1988, also serves on the group executive committee. He was sector president of base metals and vice president of corporate development.

■ SWISS BANK CORPORATION has appointed Mr David Willis as a director in the merchant banking group in London. He was with ANZ Grindlays Bank, and will be responsible for forming a new shipping finance group.

■ Mr Brian Buchanan has been appointed services director of SCOTT, East Grinstead, the company which produces Andrex and Scotties. He was distribution and management services manager, and succeeds Mr Philip Virgo who has retired.

PUBLIC WORKS LOAN BOARD RATES

Effective MAY 15

Quota loans*

Years			
1	[illegible]	[illegible]	[illegible]
Over 1 up to 2	[illegible]	[illegible]	[illegible]
Over 2 up to 3	[illegible]	[illegible]	[illegible]
Over 3 up to 4	[illegible]	[illegible]	[illegible]
Over 4 up to 5	[illegible]	[illegible]	[illegible]
Over 5 up to 6	[illegible]	[illegible]	[illegible]
Over 6 up to 7	[illegible]	[illegible]	[illegible]
Over 7 up to 8	[illegible]	[illegible]	[illegible]
Over 8 up to 9	[illegible]	[illegible]	[illegible]
Over 9 up to 10	[illegible]	[illegible]	[illegible]
Over 10 up to 15	[illegible]	[illegible]	[illegible]
Over 15 up to 25	[illegible]	[illegible]	[illegible]
Over 25	[illegible]	[illegible]	[illegible]

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. [illegible]

LONDON SHARE SERVICE

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30¾	20⅞	Abbott Laboratories‡	28⅝	–⅛	$1.00	–	2.1
363p	257p	♦Allegheny & W 1c	315p	+5	30c	–	5.6
980p	667p	Amdahl 5c	932p	–13	10c	–	0.6
36⅞	25⅛	Amer. Cyanamid $5	34⅝	–1⅛	$1.50	–	2.6
17⅞	9¾	Amer. Express 60c	13½	+⅛	92c	–	4.0
22¾	15¼	American T. & T. $1	20⅝	–⅛	$1.32	–	3.8
38⅞	32½	Ameritech $1	36¼	–¼	$3.16	–	5.1
23¼	12⅞	BankAmerica $1⅛	22½	.....	$1.20	–	3.2
29⅝	20⅛	Bankers N.Y. $1	27⅞	–⅝	$1.52	–	10.5
29⅝	24¼	Bell Atlantic $1	26½	–⅛	$2.36	–	5.3
31¼	25	BellSouth Corp	27½	–⅞	$2.68	–	5.8
8⅛	6⅜	♦Bethlehem Steel $8	8⅛	–⅛	40c	–	2.8
1536p	1046p	Bowater Inc	1462p	–24	$1.20	–	4.9
8⅝	4½	Brunswick 75c	8⅛	–⅛	44c	–	3.2
51⅛	37¾	CPC Intnl. 25c	48⅛	–½	$2.00	–	2.5
852p	420p	California Engy	731p	–12	–	–	–
50	28¼	Campbell Soup 15c	44⅞	–1	$1.16	–	1.5
11½	5⅞	Chase Manhattan $12½	10	–⅛	$1.20	–	7.1
8⅞	5½	Chrysler $6¼	7⅞	–¼	60c	–	4.9
9⅝	5⅝	Citicorp $1	8⅝	–¼	$1.00	–	6.7
48½	34¾	Colgate-Palmolive $1	44⅞	–1⅛	$2.12	–	2.8
830p	438p	Cont'l Bank Corp $4	774p	–20	$1.00	–	7.6
85p	45p	♦Corporate Data Scnce	85p	.....	–	–	–
19⅛	13⅝	Dana Corp. $1	17⅝	–⅛	$1.60	–	5.3
1056p	203p	Data General	889p	–6	–	–	–
29	20¼	Dun & Bradstreet $1	26½	–⅛	$2.16	–	4.8
35⅛	24¼	Eaton Corpn. 50c	31⅝	–1	$2.20	–	–
7½	5½	Echlin Inc	6⅞	+⅛	70c	–	6.1
17⅞	14⅞	FPL Group 1c	17⅞	–⅛	$2.36	–	7.9
28⅞	17⅞	Fluor Corp 62½pc	26⅛	–⅛	32c	–	0.7
19⅝	13⅛	Ford Motor $1	18⅞	–⅛	$1.60	–	3.2
43⅞	28⅞	Gen. Elect. 63c	40⅝	–⅝	$2.04	–	3.0
457p	270p	♦General Host Corp $1	444p	–11	34c	–	4.5
45¼	29⅝	Gillette $1	39⅞	–½	$1.24	–	1.8
91p	35p	Gt American Bank $1	43p	.....	–	–	–
20¼	12⅞	Greyhound Dial $1½	20½	.....	$1.32	–	4.0
17	794p	Hasbro Inc 50c	15⅛	–⅛	20c	–	0.8
36½	21¼	Honeywell $1½	33⅞	–⅞	$1.50	–	2.7
22⅝	17⅞	Houston Inds.‡	21⅛	–⅛	$2.96	–	8.2
72⅞	55⅞	IBM Corpn $1¼	60⅛	–⅛	$4.84	–	4.7
28⅞	18⅞	Ingersoll-Rand $2	26⅛	–⅛	$1.32	–	3.0
26¼	16⅝	Lockheed Crpn. $1	23⅛	–¼	$1.80	–	4.5
3¼	2¼	Lone Star Inds $1	2⅞	.....	$1.90	–	–
24⅝	18⅛	Louisiana Land 15c	21¼	–⅞	$1.00	–	2.8
2000p	1245p	Lowe's 50c	1777p	–56	52c	–	1.7
16⅝	9½	Manuf. Hanover $1	13⅞	–⅛	$3.28	–	14.3
24⅞	10⅞	Merrill Lynch $1	20⅝	–1⅛	$1.00	–	2.8
18⅞	11½	Molex Inc	15¾	–⅛	4c	–	0.2
31½	21⅞	Morgan (JP) $2½	28½	–⅞	$1.98	–	4.1
40⅞	25⅞	Morris (Philip)	38⅛	–⅛	$1.72	–	2.7
43¼	39	NYNEX $1	39⅝	–¼	$4.56	–	6.8
89p	42p	♦Pac. Agricultural	42p	.....	–	–	–
21⅛	11⅞	Pall Corp. 25c	17⅞	–⅞	b44c	–	1.5
44⅛	33¼	Pennzoil 83 1/3c	39⅛	–⅛	$3.00	–	4.5
34½	24⅞	Quaker Oats $5	32⅛	–⅛	$1.56	–	2.8
36⅛	24⅞	Rep NY Corpn $5	33⅞	–⅛	$1.40	–	2.4
16⅝	12⅛	Rockwell Intl. $1	15⅛	–⅛	86c	–	3.6
23⅞	12⅞	Sears, Roebuck 75c	21⅞	–1⅛	$2.00	–	5.6
32	25⅝	Southwestern Bell $1	28½	–½	$2.84	–	5.9
20¼	14⅝	Sun Co. Inc. $1	17½	–⅛	$1.80	–	6.1
26⅞	21¼	Tenneco $5	24½	–⅞	$3.20	–	7.3
40½	29⅛	Texaco $6.25	37⅞	–1⅛	$3.20	–	5.1
26⅛	17⅛	Texas Instr. $1	22½	–⅛	72c	–	1.9
71½	41⅞	Time Warner $1	68⅛	–1⅛	$1.00	–	0.9
14⅝	8⅝	TRINOVA Corp	13	–¼	68c	–	3.1
19⅞	14⅛	USX $1	19⅞	.....	$1.40	–	4.3
390p	250p	♦Unilab	390p	.....	–	–	–
27½	22⅛	Utd. Technologies	25⅞	–⅞	$1.80	–	4.2
60p	42p	♦Utilitech Inc	60p	.....	–	–	–
23	18¼	US West‡	20	–⅛	$2.08	–	6.1
23⅝	16⅝	Waste Management $1	22⅛	–⅛	44c	–	1.2
1925p	1053p	Whirlpool $1	1777p	–34	$1.10	–	3.7
19¼	13½	♦Woolworth $3½	17⅛	.....	$1.08	–	3.7

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LONDON SHARE SERVICE

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LEISURE

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
492	155	AirLeurs 10p β	459	−17	8.25	9.1	2.4	18.1
*108	71½	♦Allied Leis. 5p α	102xr	.....	F4.75	3.5	6.2	7.2
246	185	Anglia TV α	198	.....	9.26	2.4	6.5	8.7
91	16	Avesco 1p α	22	.....	1.5	3.9	9.1	3.1
9	4½	♦BCE Hldgs 5p β	5½	.....	−	−	−	−
178	123	Barr & W.A.T. 'A' β	178	.....	9.75	1.6	7.6	11.1
685	425	Boosey & Hawkes β	655	.....	16.4	2.7	3.3	13.1
40½	24	♦Border T.V. β	40½	.....	2.1	1.1	6.9	18.1
88	25	Brent Walker 10p α	32	+5	15.0	6.9	−	0.2
29	7	Do 6pc Cv Cm Rd Pf £1 y	8	.....	6.0	−	−	−
55	43	Buckingham Int'l 10p α	58	.....	2.1	1.8	5.6	11.7
343	183	Campari Int. 20p β	328	.....	11.0	2.9	4.6	8.8
208	134	Capital Radio 2½p α	195	−1	5.25	2.9	3.6	12.8
503	350	Carlton Comms 5p α	440	−1	14.1	2.9	4.3	10.5
81	61	Do. 6.5p Prf 5p y	74	+1	6.5	−	11.7	−
253	168	♦Castle Comms. 5p β	238	−3	8.5	1.7	4.9	15.4
600	480	Central ITV β	598	.....	28.5	2.6	6.4	8.0
142	120	Chiltern Radio 10p β	141	.....	4.8	2.6	4.5	10.8
89	39	Chrysalis β	81	.....	s2.0	−	3.3	−
69	39½	Cityvision 5p α	42	−2	1.0	7.0	3.2	5.6
5½	3	Classic TV Ints Int 20 y	5	.....	−	−	−	−
468	361	Contrast Group 5p α	438	.....	10.35	2.8	3.2	15.3
1225	908	Euro Disney Fr10 α	1200	−10				
30	13	European Leis. Ir25p α	18	+2	1.7	2.2	13.0	2.9
38	22	Ex Lands 10p α	38	.....	−	−	−	−
47	21½	♦Expedier 20p α	39	.....	1.0	♦	3.5	♦
563	405	Fairline Boats 10p β	548	.....	21.0	4.1	5.1	6.4
276	188	First Leisure α	258	−2	5.05	2.6	2.6	17.5
253	195	♦GWR Group 20p β	234	−1	6.0	3.2	3.4	12.2
75	68	Grampian TVA 10p β	71	−1	3.5	2.9	6.6	6.9
8	6	♦Greenwich Comm. 1p β	7	.....				
63	36	HTV Ord α	52	.....	3.75	♦	9.6	♦
145	55	Hi-Tec Sports β	134	−6	5.0	♦	5.1	♦
4½	3	Nat'l Media Comms 1p α	3½	.....	−	−	−	−

PROPERTY

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
100	78	Allied London 10p β	91xd	−1	3.53	0.5	5.2	(72.0)
95	75	Do. 5¼pc Cnv Rd Pf £1 y	90	+1	5¼%	−	8.5	−
43	27	Anglo-Park Grp. 35p α	34xd	.....	‡3.0	1.2	‡	(8.2)
90	80	Arcadian Intl β	85	.....	‡q4.0	0.4	‡	−
106	66	Asda Property 20p α	95	−3	1.85	♦	2.6	♦
85	60	Do 5¼pc Cm Pf £1 y	88	.....	5¼%	−	8.5	−
32	18	BDA Hldgs. 10p β	24	.....	−	−	−	−
48	30	BHH Group 50p α	46	.....	1.0	−	2.9	−
68	45	Baker Hrrs Sndrs 10p β	60	.....	‡4.5	0.7	‡	17.7
71	56	Barlows 10p β	58xd	.....	2.48	0.6	5.7	42.3
433	325	Bilton (Percy) β	403	.....	17.44	♦	5.8	♦
68	51	Bolton Grp. 5p β	61	.....	−	−	−	−
85	48	Bourne End Prop. β	50	.....	2.0	♦	5.3	♦
150	115	Bradford Prop. 5p α	146	.....	†3.2	2.9	2.9	15.7
88	65	Bredero Props β	78	.....	2.4	2.7	4.6	8.8
94	57	Britannia Grp. 5p β	70	.....	3.0	1.2	5.7	19.4
330	255	British Land α	281	−1	†5.25	1.8	2.5	29.6
£113	£102	Brit Land 8½pc Cv y	£103	.....	Q8½%	−	8.4	−
188	151	Brixton Estate α	169xd	−1	7.1	♦	5.6	♦
48	35	Burford Hldgs 1p α	40	.....	0.85	1.9	2.8	24.4
18	10	Cabra Ests α	12	.....	‡s1.0	3.3	‡	2.7
366	290	Capital & Counties α	344	.....	13.2	1.8	5.1	14.1
95	77	Do 5¾pc Prf £1 y	91	−1	5.75%	−	8.4	−
135	110	♦Cap. & Reg. Prop. β	125xd	.....	0.9	♦	1.0	♦
325	265	Cardiff Prop 20p β	278	.....	2.4	2.5	1.2	44.5
640	475	Chesterfield β	578	−8	†17.6	2.0	4.1	15.3
95	70	Do. 5.25pc Cv Cm Pf £1 y	87	−1	5.25	−	8.0	−
59	44	Christie Grp 2p β	53	.....	‡2.8	1.3	‡	14.1
160	105	City Site Estates β	195	.....	1.92	−	1.9	−
60	27	Clarke Nickolls β	69	.....	0.75	3.0	1.7	21.4
92	43	Clayform Props 5p α	43	−2	2.0	♦	6.2	♦
9	2	Do. Warrants β	2	.....				
725	650	Compco Hldgs 20p	658	.....	12.96	3.2	2.7	15.9
35½	23	Control Secs. 10p α	26	−1	†1.25	3.7	6.4	4.6

TRANSPORT—Contd

INVESTMENT TRUST—Contd

WATER

INVESTMENT TRUST

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

FINANCE, LAND, ETC

Net asset values supplied by County NatWest Wood Mackenzie

MINES—Contd

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed, dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¤ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 β	650	.....
Finlay Pkg. 5p β	29xd	.....
Holt (Jos) 25p β	1825xd	.....

IRISH

Cap. 8½% Ln. 1991	£99¼	.....
9pc Cap Ln. 1996	£98½	−¼
Fin. 13% 97/02	£114¾	.....
Arnotts	165	+5
Helton Hldgs y	41	−1
IRG	145	.....
United Drug	168	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	28
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	46.62	46.62xd	49.86	-0.99	6.96
Gilts & Fixed Int	6	112.4	112.4xd	119.1	-0.7	9.66
High Inc Equity	6	134.5	138.1xd	146.9	-0.7	5.79
Worldwide Bond	6	202.4	202.4xd	214.5	-1.6	6.99
Capital Growth						
American Growth	6	190.6	190.6	203.8	-4.8	1.29
Asian Pacific	6	126.5	129.2	137.4	-1.3	15
Assets & Earnings	6	172.5	176.4xd	187.6	-0.8	2.95
Capital Reserve Acc	0	104.4	104.4	104.5	-0.2	7.26
Capital Reserve Inc	0	82.53	82.53xd	82.61	-0.14	7.26
Comdty & Energy	6	75.72	75.72xd	80.98	-0.59	.93
1992 Enterprise	6	64.18	64.18	68.64	-0.33	3.16
Euro Capital Acc	6	88.10	88.10	94.32	-0.46	1.44
Euro Capital Inc	6	84.17	84.17xd	90.02	-0.43	1.44
General	6	168.7	168.7xd	180.4	-1.8	2.77
Japan	6	100.9	100.9	107.9	-0.8	–
Mastertrust	6	89.03	89.03	95.21	-0.61	2.22
UK Growth Acc	6	160.0	160.0	171.1	-0.4	2.17
UK Growth Dist	6	102.9	102.9xd	110.0	-0.2	2.18
US Emerging Cos	6	62.96	62.96	67.33	-2.70	–
Income & Growth	6	296.1	296.1xd	316.6	-3.0	4.42
Ethical	6	50.20	50.20	53.68	-0.15	3.04
International	6	61.45	62.26	66.23	-0.56	1.46
Dividend & Growth	6	48.87	50.04	53.23	-0.48	5.64
Global Gwth & Sec	6	51.10	51.41	54.69	-0.10	1.83

ManuLife Management Ltd (1200)H
St George's Way, Stevenage Dealings: 071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	130.6	130.6	138.9	-1.5	4.14
Gilt & Fxd Int	5	140.9	140.9	148.2	-0.9	8.65
Intl Growth	5¼	146.3	147.4xd	157.0	-2.9	0.31
North American ♥	5¼	91.91	93.06	99.02	-3.0	0.28
Far East	5¼	119.1	120.1	127.8	-1.4	0.36
UK Smaller Cos	5¼	108.1	113.0	120.2	-1.1	3.00
European	5¼	53.06	53.06	56.59	-0.5	1.19
Japanese Growth	5¼	38.02	38.02xd	40.71	-0.25	0.00
Managed P'follo	5¼	48.32	48.70	51.81	-0.58	1.61
High Income	5¼	148.2	150.1xd	159.7	-1.1	6.07
High Yielding Gilt	5¼	60.62	60.62xd	63.90	-0.25	10.15
Cash	–	50.58	50.58	50.58	+0.01	11.33

Geoffrey Morley Unit Mgrs Ltd (1200)F
5 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	116.43	116.43	124.13	-1.38	2.60
Exempt Smllr Cos	3¼	233.47	233.47	252.61	-1.35	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. *This charge is included in the price of units.*

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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Stewart Ivory Unit Tst Mgrs Ltd (1500)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	288.9	288.9	308.7	-5.0	1.40
(Accum Units) ♥	5	338.0	338.0	361.1	-5.9	1.40
British ♦	5	786.0	786.0	831.5	-5.1	5.79
(Accum Units) ♦	5	1258.3	1258.3	1331.2	-8.1	5.79
European ♦	5	330.0	330.0	352.1	-0.9	1.51
(Accum Units) ♦	5	353.7	353.7	377.4	-1.0	1.51
Japan ♦	5	120.2	120.2	127.7	-1.1	-
(Accum Units) ♦	5	121.1	121.1	128.7	-1.1	-
New Pacific ♦	5	167.0	167.0	177.5	-1.6	2.13
(Accum Units) ♦	5	168.3	168.3	178.8	-1.6	2.13
PEP	5	130.0	131.9	139.6	-2.7	3.42
Magd Equity	5	118.4	120.2	127.2	-3.0	3.67
Magd Equity Acc	5	122.5	124.4	131.6	-3.1	3.67
Magd Cash ♦	5	96.41	96.41	101.2	+0.1	11.82
(Accum Units)	5	111.7	111.7	117.2	+0.1	11.82
Magd Fixed Int Acc	5	118.2	118.2	125.2		6.68
Majority Stlg	1	100.32	100.32	103.31	+0.02	11.52
Majority Stlg Acc	1	103.12	103.12	104.14	+0.02	11.51

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin: 7 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010
International May 15 ... 0 | 49.98 | 49.98 | 50.98 | -0.48 | 3.43

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Sun Alliance House, Horsham 0403 56293

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity	6	580.3	588.4	629.3	-6.4	3.47
North America	6	72.49	74.49	79.67	-1.73	7.77
Far East	6	93.66	94.90	101.5	-1.0	0.76
W'wide Bond	6	45.25	45.25xd	48.12	-0.32	6.20
W'wide Financial	6	34.45	34.45	36.84	-0.37	3.61
W'wide Technology	6	41.34	41.34	44.22	-0.41	0.00
European	6	65.80	65.80	70.37	-0.61	1.27
Equity Income	6	69.52	69.52	74.35	-0.63	5.44
Portfolio	6	57.00	57.00xd	60.96	-0.65	3.21

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basing View, Basingstoke, Hants 0800-525725

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	6	24.57	24.57	26.28	-0.66	0.57
Managed Assets	6	102.01	102.56	109.69	-1.08	4.19
UK Income	6	33.87	34.37	36.77	-0.36	4.75
UK Growth	6	32.66	33.08	35.38	-0.39	3.52
Worldwide Growth	6	23.55	23.55xd	25.19	-0.29	1.49

Sun Life Trust Mngmt Ltd (1200)H
101, Cannon St, London EC4N 5AD
Admin & Enq: 071-606 4044 Dealing: 071-606 6010
Master Portfolio 5¼ | 34.60 | 34.60xd | 37.01 | -0.35 | 2.03

COIF–Charities Official Inv Fd##
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Income Apr 30	518.17	518.72	----	5.53
Accum Apr 30	1899.76	1870.21	----	-
Fixed Int Income Apr 30	110.50	110.75	----	10.48
Fixed Int Accum Apr 30	120.90	121.14	----	-

Deposit Account: see Money Market Trust Funds

Edinburgh Fund Mngrs PLC
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
American May 15	154.1	158.3	-2.4	1.50
Managed May 15	141.6	146.9	-1.5	3.91
Japan May 16	120.2	123.6	-3.3	0.08
Str Jap Cos May 10	606.1	622.8	+11.0	0.08

Fidelity Investment Services Ltd
Magd Pens P'folio | 128.2 | 132.4 | -1.40 | 3.86

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£459.15	465.00	----	1.60
Gen Exempt	£130.44	133.36	----	3.87
Jap Exempt	£490.13	499.49	----	0.75
Pacific Exempt	£98.54	100.54	----	2.43
Cont'l Euro Exempt	£97.50	99.40	----	2.26
Indexed Exempt May 9	£127.99	131.17	----	4.58
Amer Indexd Expt May 9	£102.05	103.08	----	2.44
Japan Indexd Expt May 9	£68.04	69.41	----	0.72
Euro Indexd Expt May 9	£95.30	97.22	----	2.88
O'seas Indexd Expt May 9	£99.79	101.99	----	2.19

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital May 1	503.22	506.92xd	----	2.42
Gross May 1	190.86	192.40	----	9.62
High Yield May 1	297.94	300.35	----	6.88

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd
Pensions Magd | 51.24 | 52.33xd | -0.43 | 3.82

INVESCO MIM Management Ltd
Exempt Funds
Intl Magd P'Folio | 1176.0 | 1269.0 | ---- | -
Magd Pens (Acc) | 67.90 | 72.40 | ---- | -

Lazard Brothers & Co. Ltd
Property Jan 3 | £2560.0 | 2675.0 | ---- | 6.00
Inc 6th Prp Apr 16 | £1325.0 | 1460.0 | ---- | 7.20

Century Life Plc
2 Eyre Street Hill, London EC1R 5AE 071-278 4488
City Of Edinburgh Life Assurance
Life Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Far East Emerg Econ	40.1	42.1	-0.6	-
Fund of Inv Tsts	58.2	61.1	-0.3	-
Money	150.1	157.6	+0.1	-
Special Situations	80.5	84.5	-0.9	-
UK Growth	120.9	127.0	-1.5	-
World Growth	113.9	119.6	-1.0	-

Pension Funds
Fund of Inv Tsts | 129.6 | 136.1 | -0.7 | -

Crusader Insurance Plc
Reigate, Surrey RH2 8BL 0737 242424
Life Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Performance	112.5	119.1	-0.2	-
Performance Plus	108.0	114.3	...	-
With Profit Perform	132.4	140.1	...	-
UK Opportunity	136.3	144.2	-0.2	-
European Opportunity	132.5	140.2	+0.6	-
Nth American Opp	95.6	101.2	-0.5	-
Far Eastern Opp	130.0	137.6	-0.6	-
Overseas	115.8	122.5	...	-
Gwth Prp Ser 1 Mar 6	175.0	184.0	...	-

Assicurazioni GENERALI SpA
117 Fenchurch St, London EC3M 5DY 071-488 0733

	Bid Price	Offer Price	+ or -	Yield Gross
Hambro GeneraliUKGth	145.8	153.5	----	-
Hambro Generali Prty	144.0	151.6	----	-
Hambros Canadian	108.4	114.2	----	-
Hambros Equity Inc	138.6	145.3	----	-
Hambros European	150.5	158.5	----	-
Hambros High Income	154.5	162.7	----	-
Hambros Jap & Far East	143.1	150.7	----	-
Hambros Nth American	165.6	174.4	----	-
Hambros Scandinavian	162.8	171.4	----	-
Hambros Smaller Cos	145.9	153.6	----	-

Legal & General (Unit Pensions) Ltd
Kingswood House, Kingswood, Tadworth, Surrey 0737 370370

	Bid Price	Offer Price	+ or -	Yield Gross
Ex. Bldg. Soc. Unid	153.4	161.5	+0.1	-
Do. Accum	190.7	200.8	+0.1	-
Exempt Cash Init	274.0	288.5	----	-
Do. Accum	429.7	452.4	+0.1	-
Exempt Eqty. Init	838.5	882.7	-8.9	-
Do. Accum	1314.7	1383.9	-14.3	-
Exempt Euro Init	166.1	174.9	-1.5	-
Do. Accum	200.3	210.9	-1.8	-
Exempt Far East Init	219.7	231.3	-1.7	-

Merchant Investors Assurance Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
MI Baring Eastern	145.5	153.1	-1.5	-
MI Fidelity Fd	146.1	153.7	-1.0	-
MI Fid American	145.3	152.9	-2.2	-
MI Fid European	198.4	208.8	-0.7	-
MI Fid Int Spec Sits	184.3	194.0	-1.3	-
MI Fid Japan	133.5	140.5	-1.1	-
MI Fid Pacific	165.6	174.3	-1.5	-
MI Fidelity UK	151.2	159.1	-4.6	-
MI Fram Inc & Growth	196.7	207.0	-0.8	-
MI Fram Intl Growth	174.2	183.3	-0.4	-

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	103.8	109.3	-0.9	-
Pension Managed Fd	101.5	106.9	-0.9	-
Life Deposit Fd	106.7	112.3	+0.1	-
Pension Deposit Fd	111.6	117.5	+0.1	-
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	109.1	120.0	-0.7	-
Managed Growth	135.6	149.2	-1.0	-
Managed Opportunity	137.4	151.5	-0.7	-
NFMC Target Financial	99.2	106.7	-1.1	-
Pension Funds				
Managed Cautionary	119.0	130.1	-0.7	-
Managed Growth	143.1	157.3	-0.9	-
Managed Opportunity	137.9	151.8	-0.6	-
NFMC Target Mngd Pens	1470.7	1548.6	-14.5	-
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	159.7	168.2	-3.0	-
UK Equity	166.6	175.4	-4.5	-
Overseas Equity	134.5	141.6	-3.0	-
Fixed Interest	143.0	150.6	-1.1	-
Property	129.8	136.7	+0.2	-
Index Linked	147.9	155.7	-0.2	-
Deposit	155.5	163.7	+0.4	-

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

MANAGEMENT SERVICES

FT MANAGED FUNDS SERVICE

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Political events dominate

POLITICAL EVENTS *dominated the foreign* exchanges on a day lacking fresh economic data.

The French franc weakened at the Paris fixing, ahead of Mr Michel Rocard's resignation as *French prime minister*, but steadied later as a period of political uncertainty came to an end. The D-Mark rose to FFr3.3948 from FFr3.3874 at the fixing, before closing at FFr3.3950 in London.

In the European exchange rate mechanism the French franc remained weakest, hitting its floor against the top placed Spanish peseta.

Uncertainty surrounded the D-Mark, ahead of today's German Bundesbank council meeting, amid strong rumours that Mr Karl Otto Pöhl will announce that he is to retire early as president of the central bank.

The relatively good performance by the D-Mark reflected hopes that Mr Helmut Schlesinger, Bundesbank deputy president, will succeed Mr Pöhl, and that Mr Hans Tietmeyer, a Board member, will become deputy president. If this proves correct it will reassure the market about Germany's determination to fight inflation.

The D-Mark traded steadily around the middle of the ERM and had improved to Y81.65 from Y81.20 against the Japanese yen *at the London close.*

Inflation attracted attention in London, after Tuesday's speech by Mr Robin Leigh-Pemberton, governor of the Bank of England. He warned *against cutting interest rates* in an attempt to achieve faster economic growth.

Dealers saw this as a further move by the Bank of England to dampen speculation about a cut in bank base rates after publication of tomorrow's UK retail prices index. Year-on-year inflation is expected to fall sharply, to perhaps 6.2 from 8.2 per cent, but the central bank is known to be concerned that core inflation, excluding such items as mortgages and local taxation, will remain stubbornly high.

Sterling slipped from third to fourth strongest currency in the ERM, trading nervously ahead of today's UK by-election in Monmouth, where opinion polls suggest that a majority of *over 9,000 for the ruling Con*servatives at the last general election is likely to be overturned by the opposition Labour Party.

The pound rose 95 points to $1.7480, but fell to DM2.9550 from DM2.9575. It improved to FFr10.0300 from FFr10.0175; to SFr2.5000 from SFr2.4900; and to Y241.25 from Y240.25. Sterling's index climbed 0.1 to 91.9.

Doubts about whether the US recession has hit bottom, expressed by Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, weighed on the dollar. The currency already had a soft tone as Mr Corrigan addressed the Senate banking committee.

At the London close the dollar had fallen to DM1.6900 from DM1.7015; to Y137.95 from Y138.20; to SFr1.4305 from SFr1.4320; and to FFr5.7375 from FFr7625. Its index declined to 65.4 from 65.8.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 15	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.426	-4.64	6.17	81
Italian Lira	1538.24	1529.10	-0.59	1.85	37
Belgian Franc	42.4032	42.3015	-0.24	1.48	19
Sterling	0.696904	0.696794	-0.02	1.26	-1
D-Mark	2.05586	2.05681	0.05	1.19	7
Dutch Guilder	2.31643	2.31754	0.05	1.19	5
Irish Punt	0.767417	0.768189	0.10	1.14	2
Danish Krone	7.84195	7.86795	0.33	0.91	-8
French Franc	6.89509	6.98066	1.24	0.00	-60

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

May 15	Latest	Previous Close
£ Spot	1.7480-1.7490	1.7455-1.7465
1 month	0.90-0.88pm	0.91-0.89pm
3 months	2.43-2.40pm	2.34-2.31pm
12 months	7.18-7.08pm	7.00-6.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 15	Previous
8.30 am	91.8	91.9
9.00 am	91.9	92.0
10.00 am	91.9	91.8
11.00 am	91.9	91.8
Noon	91.9	91.8
1.00 pm	91.8	91.8
2.00 pm	91.9	91.7
3.00 pm	91.9	91.8
4.00 pm	91.9	91.8

CURRENCY MOVEMENTS

May 15	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.9	-23.2
U.S. Dollar	65.4	-13.0
Canadian Dollar	104.9	+2.3
Austrian Schilling	108.8	+11.0
Belgian Franc	110.6	-2.7
Danish Krone	108.7	+3.4
D-Mark	116.9	+23.2
Swiss Franc	113.1	+22.2
Dutch Guilder	113.3	+15.1
French Franc	102.3	-13.7
Lira	99.0	-19.8
Yen	134.4	+66.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for May 14

CURRENCY RATES

May 15	Bank % rate	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.776613	0.696794
U.S. Dollar	6.00	1.34354	1.21382
Canadian $	9.22	1.54628	1.39662
Austrian Sch	7	16.1776	14.4723
Belgian Franc	10.50	47.2859	42.3015
Danish Krone	9½	8.78675	7.86795
D-Mark	6.50	2.30753	2.05681
Dutch Guilder	7.75	2.59747	2.31754
French Franc	10¼	7.80597	6.98066
Italian Lira	11½	1710.96	1529.10

BASE LENDING RATES

	%		%		%
ABN Bank	12	Comm. Bk. of London Plc	12	McDonnell Douglas Bnk.	12
Adam & Company	12	Co-operative Bank	12	Midland Bank	12
Allied Trust Bank	12	Coutts & Co	12	Mount Banking	12
AIB Bank	12	Cyprus Popular Bk	12	Nat Bk. of Kuwait	13½
● Henry Ansbacher	12	Dunbar Bank PLC	12	NatWestminster	12
B & C Merchant Bank	12	Duncan Lawrie	12	Northern Bank Ltd	12
Bank of Baroda	12	Equatorial Bank plc	12	Nykredit Mortgage Bank	12½
Banco Bilbao Vizcaya	12	Exeter Bank Limited	12½	Provincial Bank PLC	14
Bank Credit & Comm	12	Financial & Gen. Bank	12	Roxburghe Bank Ltd.	13
Bank of Cyprus	12	First National Bank Plc.	15	Royal Bk of Scotland	12
Bank of Ireland	12	● Robert Fleming & Co.	12	● Smith & Williamson Secs.	12
Bank of India	12	Robert Fraser & Ptnrs.	12½	Standard Chartered	12
Bank of Scotland	12	Girobank	12	TSB	12
Banque Belge Ltd	12	● Guinness Mahon	12	Unibank plc	12
Barclays Bank	12	● Hambros Bank	12	● United Bk of Kuwait	12
Benchmark Bank	12	Hampshire Trust Plc	13½	United Mizrahi Bank	12½
Brit Bk of Mid East	12	Heritable & Gen Inv Bnk.	12	Unity Trust Bank Plc	12
● Brown Shipley	12	● Hill Samuel	12	Western Trust	12
CL Bank Nederland	12	C. Hoare & Co.	12	Westpac Bank Corp.	12
● Charterhouse Bank	12	Hongkong & Shanghai	12	Whiteaway Laidlaw	12
Citibank NA	12	● Leopold Joseph & Sons	12	Yorkshire Bank	12
City Merchants Bank	12	Lloyds Bank	12		
Clydesdale Bank	12	Meghraj Bank Ltd	12		

● Members of British Merchant Banking & Securities Houses Association.

FINANCIAL FUTURES AND OPTIONS

■ Data for the Matif tables were not available for this edition.

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.625	12.00	12.00	12.00	12.00	0.09	0.46	1.01	1.52
1.650	9.50	9.51	9.73	9.74	0.26	0.82	1.54	2.17
1.675	7.14	7.39	7.66	7.75	0.56	1.37	2.30	2.94
1.700	5.07	5.48	5.88	6.14	1.10	2.14	3.18	3.91
1.725	3.40	3.89	4.40	4.72	1.95	3.12	4.33	5.14
1.750	2.09	2.67	3.28	3.57	3.16	4.47	5.75	6.58
1.775	1.22	1.83	2.36	2.65	4.81	6.08	7.38	8.16

Previous day's open int: Calls 369,373 Puts 275,708 (All currencies)
Previous day's volume: Calls 10,908 Puts 29,347 (All currencies)

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7490	1.7393	1.7239	1.7051	1.6758

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.7380	1.7414	1.7334	1.7344
Sep	1.7160	1.7208	1.7150	1.7132
Dec	-	1.7000	-	1.6964

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

London rates firmer

THE BANK of England's warnings against lower bank base rates nudged wholesale rates higher on the London money market yesterday.

Recent market operations by the authorities have kept very short rates high, while regular official lending at 12 per cent has also signalled reluctance to allow another cut in base rates at present. This view has been backed up by comments from Mr Robin Leigh-Pemberton, *governor of the Bank of* England, warning against fuelling inflation by lowering rates.

Three-month sterling interbank rose to 11 11/16-11⅝ from *11⅝-11½ per cent, while* 12-month money firmed to 11 9/16-11 7/16 from 11½-11⅜ per cent.

Mr Leigh-Pemberton's remarks contributed to a weakening of short sterling prices on Liffe. June delivery opened lower at 88.73 and closed at 88.70, compared with 88.77 previously.

Day-to-day credit was in short supply on the money market. The Bank of England initially forecast a shortage of £1,000m, *but revised this to* £950m in the afternoon. Total assistance of £820m was provided.

An early round of help was offered and at that time the authorities bought £169m bank bills outright, in band 1 at 11⅞ per cent. Before lunch another £375m bills were purchased, by way of £1m local authority bills in band 1 at 11⅞ per cent and £374m bank bills in band 1 at 11⅞-11 29/32 per cent.

In the afternoon £256m bills were bought, via £2m Treasury *bills in band 1 at 11⅞* per *cent* and £254m bank bills in band 1 at 11⅞ per cent. Late assistance of around £20m was also provided.

Bills maturing in official *hands, repayment of late* assistance and a take-up of Treasury bills drained £693m, with exchequer transactions absorbing £165m, a rise in the note circulation £60m, and *bank balances below target* £95m.

In Frankfurt call money eased to 8.80 from 8.85 per cent as the German Bundesbank added a net DM2.1bn to money market liquidity at this week's securities repurchase tender. The central bank accepted bids totalling DM27.9bn, made up of DM19bn of 35-day funds at 8.60 per cent and DM8.9bn of 63-day money, mostly at 8.90 per cent. This offset two expiring facilities totalling DM25.8bn. Trading was subdued, overshadowed by rumours that Mr Karl Otto Pöhl's is to retire early as Bundesbank president.

UK clearing bank base lending rate 12 per cent from April 12, 1991.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 15) 3 months US dollars		6 months US Dollars	
bid 5 15/16	offer 6 1/16	bid 6 1/16	offer 6 3/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8½
Broker loan rate	7½
Fed.funds	6
Fed.funds at intervention	6⅛

Treasury Bills and Bonds

One month	5.25	Three year	7.11
Two month	5.36	Four year	7.35
Three month	5.63	Five year	7.73
Six month	5.84	Seven year	8.00
One year	6.07	10-year	8.12
Two year	6.82	30-year	8.32

May 15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.75-8.85	8.80-8.95	8.90-9.05	8.95-9.10	9.05-9.20	9.00
Paris	9⅜-9½	9-9⅛	9-9⅛	9⅛-9¼	9⅛-9¼	9.25
Zurich	7¾-8⅛	7¾-8⅛	-	8-8⅛	-	-
Amsterdam	9.06-9.18	9.01-9.11	-	9.08-9.18	-	-
Tokyo	7 13/16-7⅞	7 13/16-7⅞	-	7½-7⅝	-	-
Milan	10⅞-11	11¼-11½	-	11¼-11½	-	-
Brussels	8.81-8.87	8¾-9	-	9 1/16-9 3/16	-	-
Dublin	10 13/16-10 15/16	10⅝-10¾	10½-10⅝	10⅜-10½	10¼-10⅜	-

LONDON MONEY RATES

May 15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13¾	12 7/16	12 1/16	11 11/16	11 9/16	11 9/16
Interbank Bid	11⅞	12 3/16	11 15/16	11 9/16	11 7/16	11 7/16
Sterling CDs	-	-	12	11 11/16	11⅝	11½
Local Authority Deps.	12⅛	12⅛	12	11⅝	11½	11⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	12¼	12	11¾	11¼	-	-
Company Deposits	-	-	12 1/16	11 11/16	11 9/16	11 9/16
Finance House Deposits	-	-	12	11⅝	11⅝	11 7/16
Treasury Bills (Buy)	-	-	11 31/32	11	10 31/32	-
Bank Bills (Buy)	-	-	11 27/32	11¼	10 31/32	-
Fine Trade Bills (Buy)	-	-	12¼	11 23/32	11⅝	-
Dollar CDs	-	-	5.90	5.90	6.15	6.50
SDR Linked Dep. Offer	-	-	7⅛	7 13/16	7 13/16	7 13/16
SDR Linked Dep. Bid	-	-	7⅛	7 11/16	7 11/16	7 11/16
ECU Linked Dep. Offer	-	-	9 13/16	9⅝	9 9/16	9 9/16
ECU Linked Dep. Bid	-	-	9 11/16	9½	9 7/16	9 7/16

Treasury Bills (sell); one-month 11 13/32 per cent; three months 10⅞ per cent; six months 10 13/16 per cent; Bank Bills (sell); one-month 11⅝ per cent; three months 11⅛ per cent; Treasury Bills; Average tender rate of discount 10.8559 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1991. Agreed rates for period May 26, 1991 to June 25, 1991, Scheme I: 13.07 p.c., Schemes II & III: 13.32 p.c. Reference rate for period March 29, 1991 to April 30, 1991, Scheme IV&V: 12.024 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from May 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8½ per cent, one-three months 11 per cent; three-six months 10½ per cent; six-nine months 10 per cent; nine-twelve months 9½ per cent, Under £100,000 8½ per cent from April 15, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

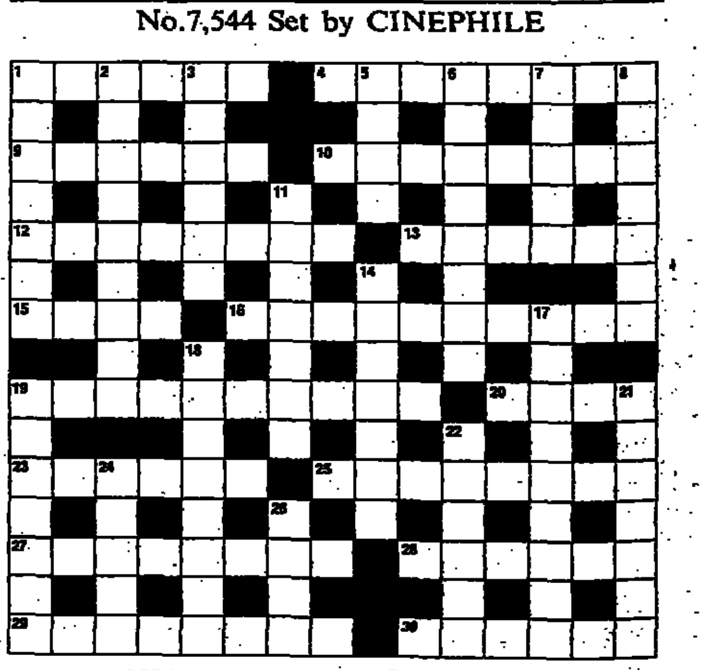
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,544 Set by CINEPHILE



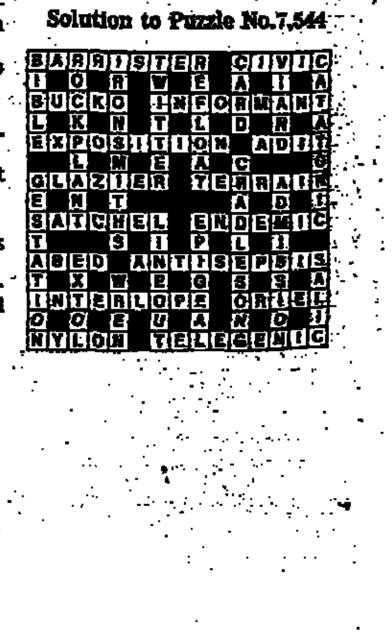
ACROSS

1 Burning a French fabric (6)
4 Glowing with desire, possibly ours (8)
9 *Occupier wields net to get* insect (6)
10 It's supine to retreat from confrontation (4,4)
12, 15 Horse to be ridden first within a long slope (12)
13 Is it supine to confront reality? (4,2)
15 See 12
16 Pleased with myself, I leave grievance outside church (10)
19 Old timer? (6,4)
20 See 25
23 Not just brunette, perhaps (6)
25, 20 Original source discovered without heat in a storm (12)
27 *Island pub* no good – *too* big (8)
28 Dull with drill? (6)
29 Request points for agreement (8)
30 Main part for sailors in part *of boat* (6)

DOWN

1 Goddess is a term that's misused (7)
2 Provincial wine, maybe Provençal, makes uncle a god (9)
3 Small note (6)
5 Raised like a tree (4)
6 Remove food shop (8)
7 A layer of little weight? (5)
8 Mark on heater caused by *toss-up about neutron* (7)
11 Skip up with solver's boy's name (7)
14 Nothing to confine one's view (7)
17 Architect's drawing wins promotion (9)
18 Tell a close friend (8)
19 Bulb set oddly in harvested field (7)
21 Young lady "finished" in Ireland (7)
22 Poles exude insensibility (6)
24, 26 Senior infantry battalion, a Hogmanay visitor (5-4)

Solution to Puzzle No.7,544



WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices May 15

MONTREAL

3:00 pm prices May 15

Total Sales 11,287,800 shares

INDICES

NEW YORK

DOW JONES	May 14	May 13	May 10	May 9	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2886.85	2924.42	2920.17	2971.15	3004.46 (17/4)	2470.30 (9/1)	3004.46 (17/4/91)	41.22 (2/7/32)
Home Bonds	94.64	94.81	94.87	95.06	95.06 (9/5)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1159.73	1181.06	1187.24	1202.57	1202.57 (9/5)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.82	211.02	210.39	214.10	220.89 (16/4)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2924.19 (2945.44) Low 2877.91 (2896.24)

STANDARD AND POOR'S

	May 14	May 13	May 10	May 9	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	371.62	376.76	375.74	383.56	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	443.06	449.45	447.96	457.00	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	28.84	29.25	29.52	30.20	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	203.67	206.28	205.87	209.48	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	360.25	363.52	364.02	366.36	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	488.79	493.93	493.42	497.81	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	May 10	May 3	Apr.26	year ago (approx.)
Dow Industrial Div. Yield	3.14	3.44	3.47	3.93
	May 8	May 1	Apr.24	year ago (approx.)
S & P Industrial div. yield	2.78	2.78	2.74	3.07
S & P Indl. P/E ratio	18.53	18.57	18.70	15.20

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
USX-Marathon	35,541,100	25	- 1¼
Telefonds	16,518,400	27⅜	---
USX-US Group	7,334,800	25	- ⅛
Amer Express	3,089,400	23⅛	+ ½
IBM	1,966,000	105¼	- ⅛
GTE Corp	1,848,500	30	+ ¼
Philip Morris	1,537,000	66½	- 1⅛
Blockbuster	1,449,500	9¼	---
Exxon	1,362,600	56¼	- 1¼
Wal Mart	1,355,800	40½	- ⅛

TRADING ACTIVITY

† Volume Millions	May 14	May 13	May 10
New York	207.910	129.620	172.730
Amex	9.863	9.647	10.867
NASDAQ	155.035	126.002	158.353
Issues Traded	2,063	2,049	2,072
Rises	371	787	469
Falls	1,188	753	1,125
Unchanged	504	509	478
New Highs	32	62	90
New Lows	8	8	7

CANADA

TORONTO	May 14	May 13	May 10	May 9	1991 HIGH	1991 LOW
Metals & Minerals	3015.85	3059.55	3073.18	3106.13	3284.18 (5/3)	2632.06 (9/1)
Composite	3462.39	3492.70	3489.79	3504.52	3571.53 (6/3)	3161.95 (15/1)
MONTREAL Portfolio	1832.13	1850.74	1848.80	1860.43	1888.19 (5/3)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 15	May 14	May 13	May 10	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1519.2	1518.9	1523.1	1548.3	1558.3 (29/4)	1204.5 (16/1)
All Mining (1/1/80)	652.2	652.9	655.4	664.8	680.1 (29/4)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	507.72	510.38	512.47	508.15	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1178.19	1181.76	1179.39	(u)	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	349.36	349.96	349.61	350.26	354.26 (4/4)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	1063.5	1074.3	1082.8	1086.1	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	480.78	488.09	487.65	489.09	493.78 (9/4)	394.88 (15/1)
CAC 40 (31/12/87)	1802.63	1805.57	1834.45	1858.27	1851.89 (3/4)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	673.63	677.30	680.67	685.76	691.29 (3/5)	570.48 (15/1)
Commerzbank (1/12/53)	1912.70	1926.30	1936.80	1948.90	1963.3 (3/5)	1612.5 (15/1)
DAX (30/12/87)	1590.35	1598.50	1610.90	1620.63	1631.84 (3/5)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3789.69	3785.14	3767.63	3758.20	3869.70 (3/4)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1412.75	1427.19	1430.12	1450.59	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	577.66	584.42	581.24	577.38	602.64 (19/4)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	25882.47	26030.08	26093.30	26274.29	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1966.60	1973.06	1977.78	1991.15	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3326.62	3367.55	3400.13	3423.45	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	580.69	587.12	584.99	587.38	605.85 (11/3)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	272.5	274.8	277.2	280.1	280.1 (10/5)	221.4 (16/1)
CBS All Shr (End 1983)	197.3	199.0	200.7	202.8	202.8 (10/5)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	777.57	776.60	790.41	784.86	790.41 (13/5)	618.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1124.48	1125.86	1109.41	1117.44	1154.73 (8/4)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	409.40	411.56	410.47	413.82	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1161.0‡	1094.0	1058.0	1060.0	1367.0 (14/1)	971.8 (25/2)
JSE Industrial (28/9/78)	3491.0‡	3470.0	3456.0	3468.0	3559.0 (26/4)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	632.17	638.61	630.84	629.83	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	(c)	286.85	285.22	282.55	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1031.5	1035.3	1037.5	1043.9	1119.0 (18/3)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	730.5	734.0	734.4	737.5	743.0 (3/4)	590.4 (14/1)
SBC General (1/4/87)	612.5	615.3	615.7	618.3	625.1 (9/4)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5728.72	6125.79	6182.09	6301.89	6385.22 (9/5)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	824.49	833.79	828.16	845.88	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	507.1*	505.2	508.0	510.7	529.2 (17/4)	439.1 (16/1)

**Saturday May 11: Taiwan Weighted Price: 6208.48. Korea Comp Ex. 629.17.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 15 May 1991

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Heavy	4.7	760	+9
Nippon Steel	4.7	475	+5
NKK	4.6	416	-3
Toshiba	4.3	802	+4
Chiyoda	4.2	2,570	+20
Hitachi	3.3	1,170	+10
Japan Steel Works	3.2	740	+5
Akai Electric	2.2	1,040	-10
Hitachi Zosen	2.2	639	+9
Sumitomo Metal	2.2	510	+7

3:15 pm prices May 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	9¼	AAR Corp	0.48	0.04	11	114	13	12⅝	12⅝	-¼
19½	14½	A L Labs A	0.24	0.01	18	123	16⅜	16⅝	16⅝	-⅛
54⅞	40⅞	AMP Inc	1.44	0.03	16	1518	50⅛	48⅞	48⅞	-1⅛
65¾	44¼	AMR			17	4240	61⅛	59⅛	59¼	-2⅛
2⅝	1¼	ARX			2	24	1¾	1¾	1¾	
48¾	41½	ASA x	3.50	0.08	13	1238	46⅛	45⅝	46	+1
54	39¼	Abbott Lab	1.00	0.02	21	6206	50⅛	48¾	48⅞	-1
13⅝	9⅞	Abitibi Pr	0.50	0.04	26	15	a13⅝	13⅝	13⅝	
11½	10⅛	ACM Gvt In x				302	11⅛	11⅛	11⅛	+⅛
9⅞	8¾	ACM GvOpp	1.01	0.11		76	9⅜	9¼	9⅜	+⅛
9½	8⅛	ACM Gvt Sp	1.01	0.11		161	9⅛	9	9	-⅛
11	9⅞	ACM Gvt Se				233	10⅞	10¾	10⅞	
9¼	7⅝	ACM Man x	1.01	0.12		128	8⅛	8	8⅛	+⅛
12⅞	11⅞	ACM Mangd x	1.50	0.12		345	12⅜	12⅛	12⅜	
7¼	4¾	Acme Cleve	0.40	0.07	13	120	6⅛	5⅞	5⅞	-⅛
6	3½	Acme Elect			42	135	4⅛	4	4⅛	+⅛
40	22¼	Acuson			25	444	35¼	34½	34½	-⅞
17⅞	14¼	Adams Expr x	0.48	0.03	9	81	17⅜	17⅛	17⅛	-⅛
20⅛	18⅞	Adobe12Pf	2.40	0.12		4	19⅜	19⅜	19⅜	
9⅜	7	Adobe Res			21	415	8	7⅞	8	
35⅞	16	Ad Micro				214	34	33½	33½	-⅜
14⅝	4⅝	Ad Micro P	3.00	0.27	12	1004	11⅝	10¾	11	-⅜
5⅛	2¼	Advest Grp	0.16	0.04	5	81	4⅛	4⅛	4⅛	-⅛
49½	33⅞	Aetna L	2.76	0.07	7	3205	41⅛	40¼	40¼	-⅞
10⅝	6⅝	Ahll A x	0.24	0.03	34	995	8⅜	8⅝	8⅝	
18⅛	12	Ahmanson x	0.88	0.05	9	949	16⅝	16	16⅛	-⅛
7⅛	2⅞	Aileen Inc			10	221	6⅝	6	6	-⅜
70⅛	51⅜	Air Pr Chm			15	137	66¼	65⅛	66⅛	+1
36⅛	16⅝	Airborne Frt	0.30	0.01	15	264	25	24½	24½	-⅞
18⅞	12⅛	Airgas Inc			17	9	14½	14½	14⅛	

Sections: - B - · - C - · - D - · - E - · - F - · - G - · - H - · - I - · - J - · - K - · - L - · - M - · - N - · - O - · - P - Q - · - R - · - S -

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NYSE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued from previous page

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

AMEX COMPOSITE PRICES

3:00 pm prices May 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

3:15 pm prices May 15

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

FINANCIAL TIMES

Thursday May 16 1991

AMERICA

Compaq warning leaves technology stocks weak

Wall Street

THE STOCK market fell further yesterday morning in the wake of Tuesday's big decline, depressed by an unexpectedly fierce profits warning from Compaq Computer, *writes Patrick Harverson in New York.*

At 1.30 pm the Dow Jones was down 10.73 at 2,876.12, having spent the morning a few points either side of the opening mark. The broader-based Standard & Poor's 500 was also lower, down 1.18 at 370.44 at 1 pm. The Nasdaq composite of over the counter stocks was again the market's worst performing index, falling 7.78 to 481.01. Turnover on the NYSE was 107m shares by 1 pm, with declines outnumbering advances by 831 to 548.

Compaq was undoubtedly the feature of the day, dragging the technology sector down with it. Compaq plunged $11¾, or almost 25 per cent, to $37½ on turnover of 4.7m shares after the company warned that second quarter earnings this year would be at least 15 per cent below the income earned at the same stage in 1990.

The warning prompted a hurried round of downgrades from Wall Street analysts, and led to falls in other technology stocks. IBM slid $2 to $103⅞, Digital Equipment fell $2 to $65, Apple lost $3⅛ to $50 and Hewlett Packard gave up $1⅞ to $45⅛.

Wells Fargo, the West Coast banking group, climbed $2⅞ to $88¾ after Berkshire Hathaway, the investment vehicle for financier Mr Warren Buffet, filed with the Federal Reserve for approval to raise its stake in the bank from 9.7 per cent to 22 per cent.

On the over the counter market Ameritrust, the Midwest commercial banking group, jumped $¾ to $16⅞ after it confirmed that it had been approached by several companies wishing to discuss a possible merger.

Although Ameritrust would not say who had proposed the talks, analysts suggested that those banks most likely to have expressed an interest were Banc One, down $¼ at $36⅞, National City, unchanged at $36⅛, and NBD Bancorp, up $⅛ at $37¼.

Trading in Automatic Data Processing was delayed for an order imbalance as sellers queued up after several analysts who met the company on Tuesday issued bearish circulars on the stock. When trading reopened Automatic Data fell $3⅝ to $32¼.

El Paso Refinery plummeted $6⅝ to $15 after the company reported a first quarter loss of 17 cents a share, compared with a profit of 16 cents a share a year earlier.

Canada

TORONTO stocks recovered from a mid-morning downswing and were flat in listless, midday trade. The composite index eased 1.2 to 3,461.2 after fluctuating between 3,456.7 and 3,465.05. Declines led advances by 201 to 161 on volume of 14.54m shares.

Gold shares rose on firmer world bullion prices. Placer Dome added C$⅛ to C$15, Teck class B rose C$¼ to C$22¼ and Echo Bay gained C$¼ to C$9⅛.

Laidlaw class B shares tumbled C$½ to a 52-week low of C$13, after testing support at C$12⅞. The waste management company said that it is analysing the contents of 27 barrels and 20 capacitors discovered on its wholly-owned Quebec waste site for hazardous materials.

First-quarter enthusiasm begins to wane in April

William Cochrane reviews last month's turnover figures for European bourses

LAST WEEKEND, the Bank of England Quarterly Bulletin produced comparisons of global equity turnover which highlighted the volatility of stock exchange business over the past 15 months, and a substantial recovery in the first quarter of 1991.

In April, however, there were signs that the upsurge in enthusiasm, which happened after the start of allied military action against Iraq, was beginning to drain out of European bourses; the indications for May are not immediately encouraging.

Monthly turnover figures for European countries produced by County NatWest WoodMac show visible declines for April in the UK, Italy, Spain and the Netherlands.

Mr James Cornish, a County strategist, says that in Germany and France in particular there were signs that the markets, which had been stalwart in February, March and most of April, were running out of steam by the end of the month. "Volumes there have become weaker since," he observes.

The UK, which was the star performer in March with a 15 per cent turnover gain, dropped out of the reckoning in April as business fell back to its February level.

Investors attracted back to London by a relatively neutral budget, interest rate cuts and a more positive perception of the economy, began to feel that share prices had had their run and that there was little left to go for.

This month, the UK government and the Bank of England seem to be at loggerheads over interest rates; and, says Mr Cornish, the Tory losses in council elections have given investors the opportunity to do nothing. "As prime minister, Mr Major is now neither popular nor unpopular enough to move stock market sentiment in a big way," he adds.

Italy may be an exception to the general trend. In February and March volume was very strong; April's fall may have been exceptional, as it was thought that the government was taking longer to produce expected interest rate cuts than was absolutely necessary. However, the cuts have arrived in May, and turnover has been picking up in recent days.

Spain, also, had moved up to high levels in February and March. Once again, economic news is expected to be on an improving trend, but here people are expecting interest rate cuts later in the year.

Germany's turnover held up well through most of April because investment advisers, particularly Mr David Roche, strategist at Morgan Stanley in London, changed tack and recommended Frankfurt as a laggard market.

In its recent Germany monthly, Kleinwort Benson noted that the DAX index had managed to establish a new, higher trading range above the 1,600 level. However, the bourse has also had to digest a CDU state election defeat, high wage awards and, this week, strong rumours that Mr Karl Otto Pöhl, president of the Bundesbank, would tender his resignation today.

France, as so often happens, is being accused of vices to which other countries are slow to admit. After holding its ground in April, with the help of a highly speculative atmosphere towards the end of the month, it has quietened considerably.

Professionals have been taking holidays such as May Day, and bridging the gap with more leisure time between the official holiday and the weekend. In France and elsewhere, they might feel they had earned their time after the fearful autumn of 1990.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Jan 1991	Feb 1991	Mar 1991	Apr 1991	US $bn
Belgium	21.59	41.52	45.48	45.46	1.29
France	†79.00	†106.80	110.40	110.00	18.97
Germany	81.40	120.90	122.90	125.80	73.27
Italy	8,672.40	15,592.40	15,080.00	12,316.00	9.69
Netherlands	11.02	13.88	15.30	14.20	7.34
Spain	498.46	742.81	803.60	651.51	6.14
Switzerland	12.00	14.20	†13.88	*14.80	10.07
UK	24.50	31.87	36.76	31.61	54.47

*Volumes represent purchases and sales. * Provisional figure. † Revised figure. Italian data adjusted to include off-market trading. Some figures may be revised. Source: County NatWest WoodMac.*

ASIA PACIFIC

Nikkei falls below 26,000 on index-related selling

Tokyo

THE OVERNIGHT fall on Wall Street and index-related selling pushed the Nikkei average below the support level of 26,000 for the first time since March 13, *writes Emiko Terazono in Tokyo.*

The average closed down 207.61 at 25,822.47, after a day's low of 25,741.69. It had opened at the day's high of 26,001.68. Losses outnumbered gains by 684 to 268, with 155 issues unchanged, and volume remained weak at 280m shares after 270m. The Topix index of all first section stocks slipped 7.46 to 1,965.60, and in London trading the ISE/Nikkei 50 index eased 2.51 to 1,461.22.

Traders assessed the possible downside support for the Nikkei average. Mr Jerry Johnson at SBCI said the next level was seen at 25,700, although he expected the Nikkei to hover around 26,000 for now.

Some investors bought interest rate-sensitive large-capital stocks, which are also viewed as laggards, after a fall in the overnight call rate below 8 per cent for the second day. Mitsubishi Heavy Industries, the day's most active stock, advanced Y9 to Y760.

A 12.9 per cent month-on-month rise in March shipbuilding orders, after a decline in February, buoyed shipbuilding issues. Hitachi Zosen climbed Y9 to Y639.

Some construction shares were stronger in spite of news that Japan's second largest condominium maker had sought support from its creditors. Kajima moved ahead Y40 to Y1,500, on the company's expected stable growth, and Taisei gained Y12 to Y984.

Suzuki Motor, which had risen on Tuesday after upward earnings revisions, lost Y15 to Y701 on profit-taking.

Other issues that had risen recently on the back of strong earnings prospects held their ground. Akasaka Diesels, the diesel engine maker, added Y100 at Y1,170 on projections of a 27 per cent rise in pre-tax profits for the current year, and Hitachi Cable put on Y20 to Y1,160 on a forecast of 20 per cent higher pre-tax profits.

Regional banks which were strong on Tuesday retreated on profit-taking, but investors showed interest in other stocks in the sector. Joyo Bank shed Y20 to Y1,100 while Eighteenth Bank firmed Y20 to Y903.

In Osaka, the OSE average dipped 222.26 to 28,657.17 on volume of 24.1m shares, against 24.7m. Murata lost a further Y80 to Y2,570; electrical issues have been weak since Pioneer Electronic's unexpected downward earnings revision this week.

Nintendo, the video game manufacturer, receded Y600 to Y14,700 on concern over heavy margin positions.

Roundup

PACIFIC Rim markets focused on domestic matters yesterday. Bombay was closed.

TAIWAN suffered the year's biggest single-day fall on growing protests over the arrest of a student. The weighted index tumbled 397.07 or 6.5 per cent to 5,728.72. Turnover rose to T$63.1bn from T$48.8bn.

Worries over record margin lending also weighed on the market. Margin lending reached an all-time high of T$77bn on Saturday.

AUSTRALIA recovered from an early low after the first-quarter consumer price index report showed the lowest inflation rate since 1985, raising hopes of a further reduction in interest rates.

The All Ordinaries index ended a net 0.3 up at 1,519.2, after a day's low of 1,503.6. Turnover expanded to A$265m from A$176m. News Corp fell 30 cents to A$8.40 before announcing an operating loss after tax of A$204.7m for the fiscal third quarter.

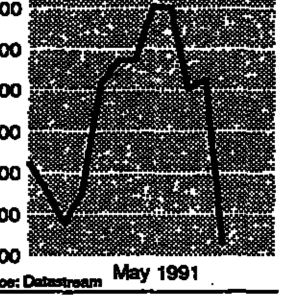
NEW ZEALAND was helped by a recovery in Fletcher Challenge after its two-day drop. Following an early decline, the Barclays index closed 9.32 ahead on balance at 1,506.62. Turnover dipped to NZ$11.6m from NZ$13.4m.

Fletcher Challenge improved 3 cents to NZ$3.81 on volume of 700,000 shares. It had lost 26 cents or 6 per cent in the previous two sessions after the company placed NZ$292.5m worth of new shares.

Lion Nathan firmed 2 cents to NZ$3.32. After the close it said operating profit after tax rose 16 per cent to NZ$37.6m in its fiscal first half, in line with expectations.

MANILA looked ahead to the public offering of Ayala Land.

Taiwan



Source: Datastream

The composite index declined 1.38 to 1,124.48 in turnover of 217.7m pesos, after 237.6m.

A total of 96m shares or 5.9 per cent of Ayala Land, a subsidiary of Ayala Corp, will be offered at 26 pesos each early next month.

SEOUL weakened as political and social unrest continued. The composite index closed at 682.17, down 6.44, on turnover of Won59.7bn, after Tuesday's Won115.1bn.

HONG KONG's Hang Seng index gained 4.55 to 3,789.69 and turnover was little changed at HK$1.21bn. SINGAPORE's Straits Times Industrial index fell 11.75 to 1,513.40 in turnover of S$83.7m, down from S$88.5m. KUALA LUMPUR's composite index sank 6.43 to 580.69 in volume of 31.6m shares (32.6m).

EUROPE

Generali's heavy rights issue upsets Milan

GENERALI's rights issue had its expected effect on Italy yesterday, as most bourses closed lower. The possible resignation of the Bundesbank president continued to concern investors, but the departure of the French Prime Minister had been discounted. Madrid was closed for a local holiday, *writes Our Markets Staff.*

MILAN closed the May trading account on a weak note, weighed down by Tuesday's late news of a heavy rights issue by Generali. Analysts said that the market had been taken unawares by the size and the timing of the cash call, which dashed hopes of a rally in the new account following the discount rate cut.

The Comit index fell 6.76 or 1.2 per cent to 577.66 in turnover estimated at near Tuesday's relatively high L165bn.

Generali was officially set at L35,660, down L1,060 or 2.9 per cent, and eased to L35,150 later. Most of the selling was reportedly from Milan, and the share price was expected to remain under pressure for some time as speculators sold holdings.

Traders detected corporate support for Fiat, which is due to announce 1990 earnings next week. Opinion is still divided on whether the carmaker will cut its dividend or not. Fiat rose L5 to L5,418.

The Consob has relaxed its deposit requirements for future contracts and short sales. From today investors are required to deposit only 50 per cent of the value of stocks ordered for the end of the trading month as opposed to 100 per cent previously.

FRANKFURT drifted lower for the third day in succession on the weak Wall Street overnight close, on hardening signs that Bundesbank president Karl Otto Pöhl would announce his resignation today and on the continued rise in domestic interest rates.

The DAX index closed 8.15 lower at 1,590.35 after a 4.27 fall to 673.03 in the FAZ at midsession. Volume rose from DM4.1bn to DM4.3bn.

Mr Jens Wiecking of Merck Finck in Düsseldorf said that Mr Pöhl's departure, strongly indicated by Chancellor Helmut Kohl yesterday, was now in share prices, and that he was satified that the Bundesbank would keep its independence under a successor.

However, he said, Wall Street was leading European bourses more than usual in their present consolidation phase. German recovery hopes, which need interest rates to go down, were not helped yesterday as the rate on German government Bundesobligationen, or five-year notes, was lifted from 8.39 to 8.49 per cent.

Hoechst's first quarter results were as expected and the shares went down with the market, falling DM1.40 to DM256.30. Bad news on the dividend pushed Lufthansa DM3.50 lower to DM126, but Douglas ignored retail sector weakness to gain DM14 to DM784, up DM25 over two days, on higher profits and dividend and a one-for-eight rights issue at DM50.

Preussag said that it aimed to lift its dividend payment from DM8 to DM9 a share, but the stock fell DM4 to DM328.50; the engineer and steelmaker is going ex an earlier dividend today and foreign holders tend to sell shares cum dividend. Metallgesellschaft fell another DM11.50 to DM508 but, said Mr Wiecking, it was still on a p/e of about 22.

PARIS had anticipated the resignation of Prime Minister Michel Rocard, and took the news of his departure and the appointment of Ms Edith Cresson in its stride. The removal of the political uncertainty helped the CAC 40 index recover from a day's low of 1,785.47, to close 2.94 down at 1,802.63. Turnover improved to about FFr1.5bn from Tuesday's thin FFr1.2bn.

Générale des Eaux recouped an early loss of FFr7 to end FFr38 higher at FFr2,629 on volume of 24,610 shares. The diversified water utility reported a rise of 20 per cent in 1990 net profits, a figure in line with preliminary results announced last month. One analyst said that the stock was in demand because it was a quality stock and had slightly underperformed the market over the last month.

AMSTERDAM closed lower on options-related selling. Weak US financial markets and the dollar also weighed on prices. The CBS tendency index closed at 93.5, down 0.7.

Gist Brocades bucked the trend to rise Fl 1.30 to Fl 34.70 on renewed takeover rumours.

Royal Dutch fell Fl 1.60 to Fl 156.70 ahead its first quarter 1991 figures, due today. CSM, the sugar producer, which reported a 13 per cent increase in 1990/91 first-half net profits, eased 70 cents to Fl 83.30.

Ahold, the retailer, eased 80 cents to Fl 82 in spite of telling shareholders that results for the first quarter of 1991 were higher than a year ago, and that full-year figures should exceed those of 1990.

BRUSSELS saw a BFr135, or 3.9 per cent, fall to BFr3,555 in Immobilière de Belgique. Société Générale de Belgique said that it had sold its 31 per cent stake in the property company to Tractebel, its energy holding company associate, causing hopes of a full takeover to evaporate. The Bel 20 index lost 3.57 to 1,178.19.

STOCKHOLM continued to be dominated by Astra, which accounted for SKr140m of the total volume of SKr313m, down from Tuesday's SKr440m. Astra's free Bs rose SKr4 to SKr600. The Affärsvärlden General index fell 3.8 to 1,081.5.

FT-SE Eurotrack 100 - May 15

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1106.33	1107.61	1107.40	1107.28	1108.33	1108.24	1109.18	1109.43

Day's High 1109.84 — Day's Low 1106.33

May 14	May 13	May 10	May 9	May 8
1116.47	1125.32	1130.52	1125.62	1119.87

Base value 1000 (26/10/90) — $ Indicative.

SOUTH AFRICA

GOLD SHARES were boosted by a rising bullion price in a market short of scrip. The JSE all-gold index gained 67 or 6.1 per cent to 1,161, while the industrial index rose 21 to 3,491. SA Breweries rose R1.35 to R48.50 after its results.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MAY 14 1991								MONDAY MAY 13 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (74)	143.05	−0.5	122.00	124.97	126.55	122.36	−0.3	5.63	143.74	123.04	126.66	128.09	122.75	147.30	112.74	135.59
Austria (19)	201.21	+0.2	171.59	175.78	178.00	179.30	−0.3	1.47	200.82	171.90	176.96	178.96	179.77	222.37	167.00	257.75
Belgium (60)	138.92	+1.7	118.47	121.35	122.89	120.08	+0.5	4.93	136.68	116.98	120.41	121.78	119.47	151.20	121.73	153.51
Canada (117)	136.92	−1.0	116.77	119.60	121.11	114.17	−0.9	3.51	138.29	118.37	121.85	123.22	115.16	141.10	126.49	135.12
Denmark (31)	239.69	+0.8	204.41	209.40	212.03	212.80	+0.0	1.58	237.76	203.52	209.51	211.87	212.78	270.56	217.74	248.80
Finland (21)	115.31	+0.0	98.33	100.73	102.00	97.35	+0.0	2.49	115.28	98.68	101.59	102.73	97.37	125.15	90.61	139.54
France (112)	137.96	−0.7	117.65	120.51	122.03	124.70	−1.4	3.50	138.86	118.87	122.35	123.73	126.45	152.26	121.85	165.54
Germany (88)	110.64	+0.2	94.35	96.67	97.87	97.87	−0.5	2.31	110.43	94.53	97.32	98.40	98.40	125.35	102.43	132.72
Hong Kong (47)	155.83	+0.6	132.89	136.13	137.86	155.87	+0.6	4.39	154.93	132.62	136.52	138.07	154.97	156.75	119.62	123.12
Ireland (17)	156.37	+0.1	133.35	136.60	138.32	140.74	−0.3	3.99	156.25	133.75	137.69	139.24	141.18	182.46	132.88	180.57
Italy (91)	79.23	+1.6	67.56	69.21	70.06	74.68	+0.7	3.25	77.99	66.76	68.72	69.50	74.03	88.23	72.06	104.12
Japan (452)	138.85	+0.7	118.41	121.29	122.84	121.29	−0.2	0.71	137.94	118.08	121.55	122.94	121.55	146.97	118.35	153.36
Malaysia (33)	230.01	+0.2	196.15	200.92	203.46	244.40	+0.2	3.10	229.54	196.49	202.25	204.54	243.91	247.78	192.83	223.81
Mexico (12)	990.72	+2.8	844.89	865.48	876.40	3240.95	+2.8	0.27	963.40	824.67	848.92	858.49	3151.58	990.72	534.45	463.53
Netherland (40)	140.82	−0.3	120.09	123.02	124.57	123.21	−1.0	4.23	141.25	120.91	124.47	125.87	124.43	145.73	125.70	141.96
New Zealand (14)	51.19	−2.9	43.65	44.72	45.28	46.25	−2.8	7.60	52.72	45.13	46.45	46.98	47.59	54.64	41.18	63.32
Norway (30)	207.10	−0.8	176.61	180.92	183.21	186.30	−1.8	1.62	208.80	178.73	183.99	186.07	189.74	223.24	182.24	243.90
Singapore (25)	201.82	+0.8	172.11	176.31	178.53	164.62	+0.8	2.03	200.23	171.39	176.44	178.42	163.32	208.25	161.63	199.53
South Africa (60)	206.60	−0.1	176.19	180.48	182.76	146.54	+0.8	3.78	206.88	177.09	182.29	184.34	147.30	208.97	173.00	189.17
Spain (41)	163.48	+1.6	139.42	142.82	144.62	130.42	+0.7	4.34	160.90	137.73	141.78	143.38	129.45	171.12	131.51	163.93
Sweden (27)	178.59	+0.7	152.30	156.01	157.98	161.86	+0.1	2.70	177.36	151.82	156.29	158.05	161.74	204.12	146.60	201.54
Switzerland (65)	94.16	+0.7	80.30	82.26	83.31	83.60	−0.1	2.42	93.54	80.07	82.43	83.36	83.68	100.67	82.17	100.57
United Kingdom (295)	172.08	−0.5	146.75	150.31	152.20	146.75	−0.9	4.85	172.94	148.03	152.37	154.09	148.03	187.44	156.27	149.85
USA (524)	150.55	−1.3	128.39	131.52	133.18	150.55	−1.3	3.25	152.59	130.62	134.46	135.98	152.59	158.24	125.95	143.11
Europe (937)	139.86	+0.0	119.11	122.01	123.55	121.42	−0.6	3.90	139.70	119.59	123.10	124.50	122.18	151.52	125.50	143.69
Nordic (109)	178.97	+0.5	152.63	156.35	158.32	154.39	−0.2	2.09	178.06	152.42	156.91	158.67	154.71	200.81	165.55	198.04
Pacific Basin (645)	139.23	+0.6	118.74	121.63	123.17	122.09	−0.2	1.05	138.41	118.48	121.96	123.34	122.33	145.92	117.88	151.58
Euro – Pacific (1582)	139.75	+0.3	119.18	122.08	123.62	122.69	−0.4	2.22	139.28	119.23	122.72	124.11	123.15	147.66	121.29	148.78
North America (641)	149.62	−1.3	127.60	130.72	132.38	148.10	−1.3	3.27	151.62	129.79	133.62	135.14	150.07	157.04	126.91	142.53
Europe Ex. UK (642)	119.90	+0.3	102.25	104.76	106.08	106.59	−0.4	3.17	119.50	102.29	105.32	106.51	107.04	129.80	106.85	137.95
Pacific Ex. Japan (193)	142.73	−0.1	121.72	124.70	126.27	127.38	+0.0	4.87	142.84	122.28	125.89	127.30	127.39	144.43	111.40	129.54
World Ex. US (1771)	140.82	+0.3	120.09	123.03	124.58	123.37	−0.4	2.27	140.40	120.18	123.73	125.12	123.80	148.16	122.32	148.89
World Ex. UK (2000)	140.21	−0.3	119.57	122.49	124.04	130.30	−0.7	2.35	140.59	120.34	123.89	125.29	131.20	145.77	120.06	145.33
World Ex. So. Af. (2235)	142.65	−0.3	121.65	124.62	126.20	131.80	−0.7	2.61	143.07	122.47	126.08	127.50	132.76	148.66	122.92	145.45
World Ex. Japan (1843)	146.62	−0.8	125.04	128.10	129.72	137.52	−1.0	3.56	147.73	126.46	130.19	131.67	138.84	152.63	126.69	143.19
The World Index (2295)	143.03	−0.3	121.98	124.96	126.54	131.92	−0.7	2.62	143.45	122.80	126.41	127.84	132.87	149.01	123.26	145.72

Constituent change with effect 16/5/91: Deletion: Nouvelles Galeries (France).
Latest prices were unavailable for this edition.